# INDEPENDENT PATENT AND TRADEMARK OFFICE ACT

## JOINT HEARINGS

BEFORE THE

## COMMITTEE ON GOVERNMENTAL AFFAIRS

AND THE

## COMMITTEE ON THE JUDICIARY UNITED STATES SENATE

NINETY-SIXTH CONGRESS

SECOND SESSION

ON

## S. 2079

TO IMPROVE THE ADMINISTRATION OF THE PATENT AND TRADEMARK LAWS BY ESTABLISHING THE PATENT AND TRADEMARK OFFICE AS AN INDEPENDENT AGENCY, AND FOR OTHER PURPOSES

JANUARY 24 AND MARCH 12, 1980

Printed for the use of the Committee on Governmental Affairs and the Committee on the Judiciary

U.S. GOVERNMENT PRINTING OFFICE

63-837 O WASHINGTON: 1980

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# CONTENTS

Material submitted for the record—Continued

# INDEPENDENT PATENT AND TRADEMARK OFFICE ACT

THURSDAY, JANUARY 24, 1980

U.S. SENATE,
JOINT HEARING OF THE COMMITTEES ON
GOVERNMENTAL AFFAIRS AND THE JUDICIARY,
*Washington, D.C.*

The committees met, pursuant to notice, at 10:08 a.m., in room 3302, Dirksen Senate Office Building, Hon. Birch Bayh, presiding.

Present: Senators Bayh and Danforth (cochairmen of the hearing).

Also present: Steven Breyer, chief counsel, John Minor, counsel, Judiciary Committee; Kevin O. Faley, chief counsel to Senator Bayh; Joseph P. Allen, professional staff member for Senator Bayh; Christopher Brewster, counsel to Senator Danforth; Eric Hultman, counsel to Senator Thurmond; Ellen Miller, professional staff member for Senator Ribicoff.

## OPENING STATEMENT OF SENATOR BAYH

Senator BAYH. Today the Committees on Governmental Affairs and the Judiciary begin their first day of hearings on S. 2079, the Independent Patent and Trademark Office Act. I introduced this legislation on December 5, 1979, along with my colleagues Senators Danforth and Nelson to remove the Patent and Trademark Office from within the Commerce Department and establish it as an independent agency. The bill also creates a 6-year term of office for the Commissioner of Patents and Trademarks. The Independent Patent and Trademark Office Act will not be creating any new bureaucratic entity, but will help the Patent and Trademark Office to function more efficiently than is now possible.

There has been a great deal of discussion and concern recently about what has gone wrong with our patent and trademark system. I have been told by independent inventors, small business owners, and the largest corporations in America that the present confusion in the patent and trademark system is a heavy millstone around their necks as they attempt to deliver new products to the American public. The patent system was originated to protect the interests of inventors in exchange for the disclosure to the public of new discoveries. Our Government is becoming unable to uphold its end of this bargain. When there is increasing doubt about the worth of a U.S. patent, when it takes longer and longer to get a patent or trademark issued, when it is learned that from 2 percent to 28 percent of the patents are missing from every subclass in the Patent Office files—and that one of these missing patents can be used in court to challenge the validity of an issued patent—and

when the Patent and Trademark Office cannot even hire to fill present vacancies but must try to process more and more applications with less and less staff, a clear message is sent to our inventors that the Government does not take them very seriously despite all of the rhetoric about lagging innovation and productivity.

We are all familiar with the statistics indicating the present sorry state of American ingenuity. Statistics like the 47-percent decline in our patent balance between 1965 and 1975—while Japan's patents have increased nearly 100 percent in every major industrial category—and the fact that 35 percent of all patents issued in this country are going to foreign inventors, are pretty good indications that something has gone wrong. There are many explanations for this disturbing trend, yet virtually every expert that I have talked with has mentioned the crisis in the Patent and Trademark Office as a significant contributing factor to our decline in innovation and productivity.

In a recent speech to the American Bar Association, Mr. Donald W. Banner, a former Patent and Trademark Commissioner, summed up the situation like this:

> In my view we are faced with a slowly but steadily declining Patent and Trademark Office. Not only are we failing to make the PTO a model office, we are failing to provide the necessary maintenance. If we do not promptly reverse this direction of movement, it shall soon be infected with an administrative dry rot condition, rendering it moribund.

This is not an idle warning from someone who is speculating about something that he does not really understand, but the thoughtful statement of a man who has actually tried to update and reform the patent and trademark system from within and has been frustrated in his attempts.

The problem quite simply is that the Patent and Trademark Office is never able to directly make its needs known, but must communicate with the Congress and the Office of Management and Budget through the Commerce Department which has not shown much sensitivity to its needs. The Patent and Trademark Office budget as it is presented to the Congress does not reflect the opinions of the people who are actually running the system. The Patent and Trademark Office has been seriously underfunded for years, yet this simple fact has never been clearly stated in the budget requests that we consider. The real needs of the Office became evident to me when I received replies to the written questions that I had submitted during the presentation of the fiscal year 1980 Commerce Department authorization about the situation in the Patent and Trademark Office. The answers that I received were shocking. I discovered that not only are a large number of patents missing from the files, but that only a small percentage of the files are covered by a security system to prevent theft and misfilings. The Patent and Trademark Office is not able to hire the needed personnel to fill existing vacancies—the number of trademark examiners in 1980 will be the same as in the mid-seventies yet they are expected to process 65 percent more applications. Patent examiners have 20 percent to 30 percent less time to spend on patent applications than 30 years ago which means that all too often a patent holder is shocked to find his patent struck down by the courts because of data that was not considered by the patent examiner in his hurried search of previous patents and related

materials. Inventors and businesses must also wait longer and longer for their patent and trademark applications to be processed. These are extremely serious matters to the inventor or business which is competing with increasingly strong foreign competitors who have dependable patent systems to insure the protection of their inventions.

The answer is not to blindly throw more money into the Patent and Trademark Office and hope for the best, but to undertake a fundamental reform which will insure that the Office will be able to carry out its mission as effectively as possible. The Congress must be able to find out directly what the real needs are and to consult directly with the people who are actually carrying out the day-to-day duties of the Office without any intermediaries. As long as any communication from the Patent and Trademark Office has to filter through the Commerce Department bureaucracy this will be impossible. As former Commissioner Banner said recently:

> The PTO has nothing to hide and would welcome close scrutiny by the Congress and OMB. It would thrive in the bright sunshine of such scrutiny, out of the shadow of the Department of Commerce. The mission of the Patent and Trademark Office is clearly set by the statutes under which it performs. The Department of Commerce cannot and does not assist the PTO in carrying out its functions under those statutes in any way which cannot be better done by the PTO itself. The added cost of the PTO as an independent agency would be minimal, estimated at about $150,000 a year, but this would be well spent in achieving a much more efficient operation than we have today.

This view has been seconded by most of our former Commissioners, all of whom are with us today except for Mr. Watson who was unable to be here today.

During its history the Patent and Trademark Office has been under the auspices of the Departments of State, Interior, and Commerce. Its technical function quite clearly does not fall within the mission of any of these agencies. My bill will not create any new bureaucracy, but will insure that the Patent and Trademark Office will be able to improve its efficiency and give American inventors and businesses the services that they deserve.

We should remember the words of Abraham Lincoln—a patent holder—who said that "the patent system adds the fuel of interest to the fires of genius." If we stand idly by and permit that fuel to run out we will suffer serious economic consequences that are even now becoming apparent. Even more seriously we will be cheating our children and grandchildren of the rich heritage that we ourselves have been enjoying. To a great extent we are all still living "on grandfather's money," because the high standard of living that we have is the direct result of the unprecedented wave of inventiveness of the last 80 years. If we are not to squander this inheritance we must act forcefully to shore up our patent and trademark system which has served us so well in the past as an incentive to American inventiveness.

As I mentioned before, the committees are certainly honored today to have as witnesses in addition to a spokesman from the Department of Commerce, every living former Patent and Trademark Commissioner with the exception of Mr. Watson whose health prevented him from attending. I think that the views of these former Commissioners certainly deserve very careful consideration of the committees. I appreciate having the opportunity of

receiving your thoughts gained from years of experience on the desirability of having an independent Patent and Trademark Office.

I yield to my friend and colleague from Missouri.

## OPENING STATEMENT OF SENATOR DANFORTH

Senator DANFORTH. Thank you, Mr. Chairman.

I am pleased to be one of the cosponsors of S. 2079, which you have introduced.

The bill is simple. First, it would remove the Patent and Trademark Office from the Commerce Department and establish it as an independent agency. Second, it would create a 6-year statutory office for the Commissioner of Patents and Trademarks.

I am very concerned about the sorry state of American technology. I am convinced that American industry is not committing sufficient resources to research and development, and I am convinced that the Government is not doing enough to encourage such efforts. Therefore, on March 23 of last year, I introduced S. 700, a bill to provide a 10-percent tax credit for research and development expenditures—and on May 3, consistent with that effort, I introduced S. 1065, a bill to provide a tax credit to corporations which give colleges and universities grants earmarked for basic research.

But the incentives which Congress extends to industry to invest in research and development can be seriously impeded if industry is unable to count on the assistance of the U.S. Patent and Trademark Office. Increasingly, it appears that industry cannot depend on the Patent and Trademark Office. Increasingly, it appears that the Patent and Trademark Office is incapable of doing this job well. Reports reach Congress that patent filings cannot be located, that security is dismal, that research by overworked patent officers is rushed and unreliable, and the blame is placed squarely at the feet of the Department of Commerce.

Interestingly enough, these charges come not only from the Patent bar and industry, but also from former Commissioners of the Patent and Trademark Office, some of whom have been very outspoken in their criticism of the Department of Commerce.

As indicated earlier, the bill we consider today proposes that the Department of Commerce be stripped of its administrative control over the Patent and Trademark Office and be made an independent agency capable of dealing directly with the Congress.

Further, it provides for stability in the administration of the new agency by creating a 6-year statutory office for the Commissioner of Patents and Trademarks.

I do not join as a cosponsor lightly, but increasingly it appears that this is the only course we can take if we are to have an effective and efficient Patent Office.

Thank you, Mr. Chairman.

Senator BAYH. Thank you very much, Senator Danforth. It is a privilege to be with you here this morning.

At this point I will submit a statement of Senator Sasser.

[Statement of Senator Sasser follows:]

### STATEMENT OF SENATOR JIM SASSER

Thank you Senator Danforth and Senator Bayh for demonstrating your concern for this important legislation by holding this hearing so early in the session.

This country has always been regarded as an innovative giant. The world has looked to us as a leader in science and technology. But our once unchallenged dominance in scientific and technological trailblazing has been seriously eroded.

While there are many reasons for this erosion, the rapid deterioration of our patent system is surely a primary cause.

I have heard complaints:

That the Patent and Trademark Office in Commerce is not funded adequately to support a staff needed to handle a growing case load;

That the security of our patent files are at an all time low; and,

That the Patent and Trademark Office is buried deep within a bureaucracy that appears to be strangling it.

These reports are troubling.

I don't think we can sit by idly when there is increasing concern about the worth of our United States patent.

I am hopeful, Senator Danforth and Senator Bayh, that this joint hearing and the ones to follow, will enable our committees to report out the most effective legislation possible to restore the confidence that is so badly needed in this country's patent process.

Senator BAYH. Our first witness this morning is Mr. Francis W. Wolek, Deputy Assistant Secretary for Science and Technology at the Department of Commerce.

Mr. Secretary, we are glad to have you with us this morning. If you would just step up to the witness table, we will get started.

## TESTIMONY OF FRANCIS W. WOLEK, DEPUTY ASSISTANT SECRETARY FOR SCIENCE AND TECHNOLOGY, DEPARTMENT OF COMMERCE, WASHINGTON, D.C.

Dr. WOLEK. Thank you, Mr. Cochairmen, for this opportunity to present the administration's position on S. 2079, the Independent Patent and Trademark Office Act.

Before I begin, let me introduce the staff who are here to help me respond to your questions.

On my right is Andrew Moxam, from the Department's Office of Budget and Program Evaluation, the Budget Analyst for the Patent and Trademark Office.

On my far left is Michael Kirk, who is the Director of the Office of Legislative and International Affairs in the Patent and Trademark Office, and on my immediate left is Mark Haflich from the Department's Office of General Counsel, who is Legislative Counsel to the Department's Office of Science and Technology.

Senator Bayh, when you introduced the bill on December 5, your remarks clearly showed that you appreciate the important role of the Patent and Trademark system to the economic well-being of American industry and the public. This appreciation is also evident in your consistent support of legislation to improve the operation of this system.

We share your view that patents and trademarks are fundamental to the health of innovation and industrial productivity and, therefore, welcome your interest and contributions. Indeed, we share a common goal—a strong patent and trademark system.

Congress has the legislative responsibility of assessing various paths to reach that important goal and choosing the best means. S. 2079 would make the Patent and Trademark Office an independent agency as a means of furthering that goal.

Simply stated, the administration assessment is that making the Patent and Trademark Office independent would inhibit the strengthening of the patent and trademark system. Accordingly, the administration is opposed to the enactment of S. 2079.

Recent supporters of an independent office believe that the Patent and Trademark Office is in a time of crisis—that the office is increasingly unable to fulfill its function of issuing reliable patents and trademarks in a timely manner.

The cause of this situation is proclaimed to be simple—the Patent and Trademark Office has inadequate resources. The reason is the Department of Commerce has been insensitive to the needs of the office. Without the obstruction of Commerce's bureaucracy, it is argued, the Patent and Trademark Office would have done and will do a more competent job of communicating its needs and managing its resources. We believe this argument is fallacious and misleading.

It is not at all unusual for Federal agencies to believe that they are in a time of crisis and that the solution is more resources. Given this tendency, it has been the policy of every modern day administration to require an independent performance evaluation to assure solid justification of past performance and future requests.

The task of the budget officers in the Department of Commerce is twofold: To work with the Office of Management and Budget to formulate proposals for the President that will enable administration goals and objectives to be met; and, to assure that resources are utilized as directed by Congress with maximum efficiency and effectiveness.

The role of our budget officers is not a simple one, nor has it been performed in an arbitrary manner in the case of the Patent and Trademark Office. Throughout Government, program managers and their direct clients often feel that their budget requests are reviewed by people unfamiliar with all of the nuances of their programs and inappropriately reduced by persons who know and care little for the operation.

If you were to respond to this very common situation by creating an independent agency for each frustrated program, the Government would become an unwieldy amalgam of agencies with weakened or little accountability.

Indeed, it has been the President's policy to limit the number of independent agencies only to cases where there is a demonstrated and compelling need.

The correct approach to providing for resource needs lies in straightforward justification, based upon results and efficient managment in accordance with congressional direction. That is the responsibility of the management of the Department of Commerce and of the Patent and Trademark Office.

Despite the hard work of many competent people at the Patent and Trademark Office, and despite every good intention to do otherwise, the office's requests have not presented a convincing case for added resources. The issue is not who is at fault for past problems. The fact of the matter is that we, both the Patent and Trademark Office and the Department, recognize our joint responsibility for providing the necessary solutions to these problems.

There are a number of characteristics of previous years' proposals which detracted from their possibility of success.

For example, in the area of support for requests, problems were defined in qualitative terms or with limited data across time or across technology groups.

Problems were also stated with little reference or supporting data as to their importance in terms of agency missions. Solutions were proposed without supporting data to show how the solution was related to the cause of the difficulty, and why it was the best of different alternatives that could be considered.

I refer, for example, to the problem of missing patents from search files, or the search file integrity issue.

Justification for program expansion: Requests for additional resources should be accompanied with data on the success of past efforts as well as the potential benefits for the future. Such data were generally lacking; for example, in requests for expansion of the quality review program.

In budget procedure, departmental, Office of Management and Budget and congressional budget examiners have repeatedly complained that the Patent and Trademark Office's estimates were confusing. For example, it is difficult, if not impossible, to relate 1 year's request to previous or subsequent years. Questionable assumptions and changing submittals were common; for example, the model used to estimate patent examiner production and cost.

In the area of financial management, the Patent and Trademark Office's financial management has been of concern to the House and Senate Appropriations Committees for 3 years. Frequent reprograming of appropriated funds raised doubts about the accuracy of budget estimates. In particular, the fiscal year 1979 reprograming caused confusion within the Office, its clients, and the Appropriations Committees. As it turned out, the actual use of funds at the Patent and Trademark Office in 1979 raises doubt about the need for that reprograming.

What has been our response to these problems? The Department of Commerce, the Office of Management and Budget, and the Patent and Trademark Office personnel have committed their spirit and energies in a large-scale effort to build a solid base for future Patent and Trademark Office operations. A stronger management team is being created. New procedures for objective and reliable management of resources are being and will continue to be instituted.

Our efforts included four major actions:

A major task force devoted exclusively to patent policy in the recently completed "Presidential Review of Industrial Innovation";

Two major studies, conducted jointly by the Patent and Trademark Office and the Department of Commerce—"Zero Based Analysis of Every Patent and Trademark Office Operation" and a "Financial Management Review";

A major reorganization plan designed to strengthen financial management and improve managerial and program planning;

Personnel changes devoting new and more departmental resources for Patent and Trademark Office liaison; and finally, a fiscal year 1981 budget request which would significantly increase the Patent and Trademark Office's resources and strength.

I personally participated in these efforts and am very proud of our accomplishments in each. I have gained a deeper respect for

people in the Patent and Trademark Office and on the departmental staff. The objective of all of these efforts is to create a Patent and Trademark Office which has the strength, the credibility, and the performance record to be independent in its operations.

This brings me to the second part of my testimony, for the Patent and Trademark Office is more than an operation. The Office is a major contributor to public policy. In this role, we believe it is crucial for the Patent and Trademark Office to be fully integrated with other parties responsible for policy on industrial development and technological innovation.

The major function of the patent and trademark system is to promote innovation and industrial development. Accordingly, we believe that the Department responsible for these areas—the Department of Commerce—is the proper home for the Patent and Trademark Office.

This location assures that the Patent and Trademark Office will be subject to influence by a broad spectrum of groups concerned with the vigor and direction of industrial development and innovation.

S. 2079 would lessen that integration.

It is possible to think of the patent and trademark system purely in terms of the processing of patent and trademark applications. This myopic view is apparent to some who note that patents and trademarks are only two of several interdependent means of obtaining legal protection for investments in intellectual property. However, an even broader and more appropriate view is that all forms of intellectual property protection are only one of several legal incentives for industrial development.

One of the Patent and Trademark Office's responsibilities is to provide the Government and the public with the expertise on such legal incentives. Others include instruments related to product liability and industrial standards.

The expertise must be integrated with that from economic and industrial strategists in formulating and implementing policy and programs to provide incentives for a strong system of industrial development.

The policy issues requiring this integration are before us and they are many and of major importance. Are life forms patentable? How should computer software be protected? What new forms of protection for rapidly obsolescing technologies are needed? What role should different public and private groups play in the promotion and utilization of patent information? These are some of the issues on the domestic side.

In addition, patent and trademark issues appear repeatedly in consultations with other nations on trade and foreign policy matters, for example, in recent discussions with the People's Republic of China, the developing nations, and Soviet bloc countries.

One of the basic tenets of our system of government is that fundamental policy decisions should be made by officers who are directly responsible to elected officials. In this way, we assure that policy is responsive to the wishes of the public, the basic principle in our system. At present, this is the case with the Patent and Trademark Office. Fundamental policy decisions are made by the Assistant Secretary of Commerce for Science and Technology, who

serves at the pleasure of the President and is subject to confirmation by the Senate. His considerations of these issues include inputs from other Cabinet-level agencies as well as top officials within the Department responsible for trade and economic policy.

Under S. 2079, the head operating officer of the Patent and Trademark Office—the Commissioner—would become the chief policymaker, and he would be isolated from other relevant officials—as well as from elected officials—for 6 years.

In closing, I wish to emphasize that while we oppose enactment of S. 2079, the administration actively seeks the strengthening of the patent and trademark system. By being part of the mission of a Cabinet-level department and also part of one of the administration's top policymakers on industrial innovation, patent and trademark issues have had greater attention from the President and Executive Offices, for example, the Office of Science and Technology Policy.

This is not an idle claim. I refer specifically to the initiatives announced by President Carter in his October 31, 1979, message to Congress on industrial innovation.

These initiatives have been supported by many industrial and patent and trademark groups as promising substantial contributions to a stronger system.

Giving the Patent and Trademark Office a central role in the provision of industrial incentives is a fundamental part of the President's initiatives. We have already begun to take the steps necessary to obtain the managerial strength, the credibility, and the planning capability needed to accomplish the President's objectives.

Mr. Chairman, this concludes my testimony. I am grateful for the opportunity to appear before the committees, and I will be glad to answer any questions you may have. Thank you.

Senator BAYH. We appreciate your taking time to be here.

In summarizing your testimony, are you in essence saying that the interests of the Patent and Trademark Office and the patent system for which it functions are better served under the present arrangements than if the Office was independent?

Dr. WOLEK. Yes, sir, that is what we are saying.

Senator BAYH. I am not sure how familiar you are with the way some of us in the legislative branch get involved in issues like this, just as I am not totally familiar with how things are done down at the Department of Commerce. I would like to suggest to you that while the Commerce Department has the primary responsibility for the executive branch in this area, the legislative role is seeing that the Patent Office functions as smoothly as possible and that it is not put in a secondary role or neglected by the Commerce Department. That is why we are very interested in seeing that some of the problems brought to our attention are resolved.

There are many consumers of the product of the Patent and Trademark Office. These people have urged me to get involved in their situation. I assume if everything were going well, this would not have been necessary. If everything were all right, we would not have had the kind of response to the Commerce Department's record in this area that we have received. Have you been down to the Patent and Trademark Office?

Dr. WOLEK. I am there very, very frequently.

Senator BAYH. Have you read some of the mail over there?

Dr. WOLEK. Yes.

Senator BAYH. Every letter I have gotten—and I'm receiving over 40 a week—has supported making the Patent Office independent. I have not seen one letter that supports your contention that the Office should be left under your Department. I assume you are familiar with Mr. Donald Banner?

Dr. WOLEK. Yes, sir.

Senator BAYH. Would you suggest he is a responsible individual?

Dr. WOLEK. Yes, sir.

Senator BAYH. He tried his best as Patent Commissioner. You have heard of Mr. C. Marshall Dann from Philadelphia?

Dr. WOLEK. Yes, sir.

Senator BAYH. Would you make the same assessment about his service?

Dr. WOLEK. Yes, sir.

Senator BAYH. Mr. Robert Gottschalk, David Ladd, William Schuyler, Edward Brenner?

Dr. WOLEK. These are all honorable and respectable men.

Senator BAYH. We have all of these gentlemen here today and each one disagrees with you after having served as PTO Commissioners. Would you suggest they might be rather familiar with the way the Office actually operates?

Dr. WOLEK. Absolutely.

Senator BAYH. Perhaps more so than either one of us.

Dr. WOLEK. I would agree to that, yes. But I would also suggest that they have a limited perspective. While they are aware in detail of many of the operations, they have a view from the inside. It is not always clear that that inside view is the only view possible necessarily the best view. That is why we require an independent outside evaluation for all of our agencies so that the insiders can present their case and convince other people who are willing to be convinced.

Senator BAYH. I understand your position on this. I also look at the criticisms that you directed at the Patent Office in which you talk about the reprograming of funds being unjustified. It is interesting to know that the President's domestic policy review came out and recommended the kind of additional funding for the Patent Office that I have been proposing for a year, and which your folks down at the Commerce Department opposed. Now, why is it if these former Commissioners have such limited view and don't see the overall perspective, that the President's own review looks at this problem and reaches exactly the same conclusion as the Patent Commissioners and of myself?

Dr. WOLEK. Which specific recommendations are you referring to?

Senator BAYH. Those of the Subcommittee on Patents and Information Policy of the DPR which cited the need for more resources, better organization, and greater independence for the Patent Office while pointing out the inability of that office to function freely.

I tell you, as a Senator, it is rather frustrating to have a Commissioner sit there like you are now before a Senate committee and not be allowed to answer questions forthrightly.

I asked the Commissioner, what are the problems at the PTO, could you get Congress a list of the problems? That list has now been compiled by the Patent Office, but it hasn't reached the committee yet so we can study it because it is roadblocked down there at the Commerce Department. Now, that is a rather frustrating thing, it seems to me.

Dr. WOLEK. Yes; I am sure that it is, and I will be glad to answer any specific questions that you have about that.

Senator BAYH. Why isn't it here?

Dr. WOLEK. Would you like to talk about that particular request first?

Senator BAYH. Yes, I would.

Dr. WOLEK. I will be glad to. The request is currently being processed. Two things had to be done with that request. First of all, the list that was generated by the Patent Office contains budget estimates. Those figures have to be evaluated according to our best understanding of what the actual costs of steps would be.

Senator BAYH. Dr. Wolek, please, if a Senator asks the head man down at the Patent and Trademark Office to give us his recommendation, and the Commissioner has to meet the budget figures and he is familiar with the needs of his office, why can't he simply be allowed to answer? I am familiar with the fact because the Commerce Department routinely does not support the recommendations of the Patent and Trademark Office and of this Senator to get additional appropriations for the PTO. Now why does the Commissioner need some expert down there at Commerce who is not charged with the day-to-day functioning of that Office to screen his recommendations to the Senate?

Dr. WOLEK. He does not need an expert to tell him what are the operations that are involved, but he does need to present a convincing case.

It is the responsibility of budget officers to make sure that public moneys are spent properly. What we do is check for the consistency between what was submitted in the past and what is claimed now. What we do is check for whether or not there is a basis and actual data for what was submitted.

We do not try to second guess the operations. What we do try to make sure of is that they are solidly justified in fact.

Senator BAYH. Well, may I suggest, sir, that your track record has not been very good. I do not say this to you personally because you may not have had anything to do with it, but the reason we would like to get to somebody down there who actually is running the Office and look at what he says, instead of these so-called Commerce Department experts, is that the Department's record at making the real needs known is frankly very poor. I have had a couple of personal experiences in this also and your experts have not impressed me. I could go through the chronology of events here and tell you why I get so excited about this.

The Commerce Department budget analysts in the fiscal year 1979 budget, calculated an office production rate for patent examining, that the Patent Office told you was totally unrealistic. At least two Commissioners brought this to the attention of the Department.

The Department, nevertheless, included that analyst's projections in the 1979 budget despite the fact that the Patent Office told the Department that unless there were corrections, some patent examiners would have to be laid off. The Department refused to make any corrections, they denied the necessary application for supplemental budgetary funding, they opposed my efforts to correct this problem and the efforts of the members of the Patent Bar to correct it by saying that it wasn't necessary. The Department then told the House Appropriations Committee when this error could no longer be denied that it originated in the Patent Office and was an example of the need for having the Department oversee its budget requests. The result of all this business was that enough resources were not given to the PTO to do its job. In fact, to meet its budget PTO printers were laid off and printing penalties were thereby incurred.

Now, how can I be less than concerned about this process given this history and these results. Here you are telling me that we should continue to rely on the Commerce Department's experts.

That is the concern I have. When you look at what the President has said; what the President's own committee came out and said—which was that we were right all along about the PTO's problem—and yet the Commerce Department comes back up here and is still suggesting the same old thing. Well, I must say, I am very concerned about it.

Dr. WOLEK. Senator, in my testimony, I carefully stated that the budget submittals of the Patent and Trademark Office had problems. I was not referring to any particular individuals when I did that. Those were the submittals made to the Office of Management and Budget, the submittals made to the House Appropriations Committee.

Those were the problems where, in indicating that level of aggregation, I was trying to avoid—which I believe must be the case—crediting any blame to anyone within the patent and trademark system, or any particular person within the Department of Commerce, or any group of people within the Department of Commerce

As I stated in my testimony, despite every good intention, despite the hard work of competent people on both sides, there have been difficulties. Now, it is possible, Senator, for me to hear comments about the difficulties that are stemming from those people over in the Patent Office, the mistakes that they have made, the lack of data, et cetera.

It is also possible, if you sit in the Patent Office and you are talking on a daily basis and you have internal loyalty to that staff, to hear repeatedly—as I have—about those no goodnicks at the Department who are fouling us up, who changed this estimate, gave us insufficient communication on that directive, et cetera, et cetera. It is logical for us to get one perspective or another, depending upon which location we are in.

I would be glad to go over any individual point that you have now or later on, but I really believe that it is irrelevant to the issue that is before us.

The question is not who was to blame in the Department, or who was to blame in the Patent Office for this specific case or that

specific case. We can spend a lot of time on that, and if you want to, I will.

The issue before us is one of (a) public administration; whether or not agencies require and find useful for management purposes to have an independent performance evaluation; and (b) policy; whether or not patent and trademark policy needs to be integrated with other fundamental aspects of innovation and industrial development. But I will be glad, if you wish, to talk about that reprograming.

Senator BAYH. I will be glad for our staff to look at these specifics.

Frankly, I am more concerned about general problems that exist.

Dr. WOLEK. I will be happy to work with your staff, Senator.

Senator BAYH. You made, I would say you concurred in perhaps, a leading question that I directed at you that the men who are going to follow you today as witnesses and who support this legislation were qualified administrators.

You said they had a narrow view.

Dr. WOLEK. Yes.

Senator BAYH. Yet the criticism that you levied at them are criticisms of irresponsible administration. You shake your head. I will read here what you said:

> The Department of OMB and Congressional budget examiners have repeatedly complained that the Patent and Trademark Office budgets were confusing. It was impossible to relate one year's request to another year's request.

If that isn't a matter of bad administration, I don't know what is.

> Questionable assumptions and changing submittals were common; the model used to estimate patent examiners' production and cost; reprogramming activities caused confusion within the Patent and Trademark Office and with its clients and the Appropriations Committee.

I will tell you what caused confusion, at least on the Senate side in the Appropriation Committee is that we had your immediate superior, Secretary Baruch, and asked him what, if any, additional funds was needed by the Patent and Trademark Office. The answer came back on Department of Commerce stationery that an additional $14,267,000 was needed to do the job.

Assistant Secretary Baruch testified that this was necessary for the office to operate properly in 1980. So some of us crawled out there on the limb and tried to get that money recommended, and we found that the very people at Commerce who said it was necessary for the proper functioning of this Office, were now opposing it.

Can you explain why?

Dr. WOLEK. Budget requests have to be integrated with the total operations of the executive branch. When we look at each agency, we rank the needs in priorities. It is always possible to spend additional funds on various worthy projects wherever they have to be ranked in order of the value they obtain. When we come to preparing the final listing of which funds will be given to one agency versus another agency, one department versus another department, one independent agency versus another independent agency, some of those projects fall off the bottom of the list and are not approved. And that then becomes the administration's overall viewpoint of what is the best way to spend the money for the total priorities of the Government.

Senator BAYH. And that I understand. And that it seems to me is the strongest testimony to have an independent Patent and Trademark Office. What you have said is the same thing that the record shows happened last year. When the Patent and Trademark Office was asked, through the Department, to tell us what resources you need to do the job the way it ought to be done and then the Commerce Department sends it up to the Appropriations Committee with Secretary Baruch's good housekeeping seal of approval on it, saying this is what needs to be done, and yet within the integrated structure which you say is so important, the Patent and Trademark Office's needs then fell off the radar screen. That is exactly what happened.

Dr. WOLEK. In my reply, Senator, I said that the ranking of priorities was not only among agencies but among departments and among independent agencies. If Secretary Baruch had not been in that position, the Commissioner of Patents and Trademarks would have been in that position. The person in the position must defend the total administration budget which may, in fact, exclude some of the items which that person himself believes would be useful. Whether or not you are an independent agency head, you still have the responsibility to relate your priorities to the Government's overall priorities.

Senator BAYH. See, now you are telling us—I understand the way the budget process works, first the privates have to carry out the lieutenant's orders and so on, but you had given us to believe earlier on this whole process down there that the PTO was responsible for much of the confusion, that they didn't have a broader view. The question I am concerned about is how you get the Patent and Trademark Office to work? You get it to work by getting resources in there and giving the qualified commissioners that we have had the leeway to do the job and not have to strain it through other people who might have other axes to grind.

Dr. WOLEK. Senator, you asked me if all the previous Commissioners were honorable men and respectful men and I agreed with you. You then stated that my testimony indicated they were incompetent administrators. That is not the case at all.

Senator BAYH. No; I said the problem you brought to our attention as critical of the office were problems of administration which would suggest that you had inefficient administrators which you just said was not the case.

Dr. WOLEK. The best administrators in any system can at times find problems that are so difficult, so pervasive, so complex that despite their good efforts by themselves, they are not able to resolve them. What that requires—and this is what is necessary to strengthen the patent and trademark system—is outside help, as well as strengthening of inside resources to resolve those difficulties and to build the capability for a sound system in the future.

We recognized the complexities and the weaknesses, wherever they had originated in the past. What we have done over the past year is to provide those resources and dedicated action with which the Commissioner can lay the groundwork for a sounder system.

Strengthening management with new procedures, new people, resolutions of past difficulties—this is the way to resolve the kinds of issues that have kept coming up in the past.

Senator BAYH. That sounds like snake oil, if you will forgive me for being rude, because the record shows when you had a chance to provide additional resources you did everything you could to stop it—here again I am not accusing you personally, you may not have been involved in this process. We had to fight the very people who said this is what we needed and then they fought us all the way down the line to keep from getting that help.

Dr. WOLEK. If I understand snake oil, it is a product for which a lot of people make promises and then get out of town fast before the stuff has to deliver in terms of results.

Senator BAYH. Also a cure all, spread it on a wart and it disappears; take it for a cold and it disappears. It just seems to me, the general statement you are making is trust us, we can take care of it, we have the matter under control—which sounds to me a lot like snake oil. It is very frustrating to me when people tell us they need help and their superiors say, OK, this is right, that is what you need and we try to get them the help, and then they try to pull the rug out from under us. Now they come back and tell us what they needed in the beginning wasn't really what they needed, they need something different. When I look at what has been said I have to say perhaps I don't have as broad a view of this as you do, but I must say from my narrow perspective, that is sure the way it looks.

Dr. WOLEK. One of the things to look at in determining whether or not what I just said was snake oil is the tract record that results. I am still here and, in fact, the fiscal 1981 budget request will include substantial additions to the Office's resources. This time, however, those additions are based upon the data, the models, the analysis that has been absent in the past. The prescription, I suggest, is working. It is going to take some time and some further effort on the part of all of us to get the patient in the health that we would all like it to be, but the prescription is already working.

Senator DANFORTH. Doctor, sometimes departments like to protect their turf and that is human nature and it is very understandable. It has been very much a characteristic of the Commerce Department, I think. Some of us supported a new Department of Trade and the Commerce Department was vigorously opposed to it, of course. Now that effort will be shifted to the Commerce Department.

Let me just ask you, do you appear here as a spokesman for the Department of Commerce, protecting its turf, or do you appear here as a spokesman for the administration?

Dr. WOLEK. I appear as a spokesman for the administration, sir.

Senator DANFORTH. So the President is opposed to this bill, is that right?

Dr. WOLEK. Yes.

Senator DANFORTH. Would the President veto the bill?

Dr. WOLEK. It will be the advice of all of his advisers that he do so.

Senator BAYH. If the gentleman would yield, apparently he does not consider the Commissioner of Patents and Trademarks as an adviser then.

Dr. WOLEK. I am sorry, sir; you corrected me, that is true.

Senator DANFORTH. I guess, Doctor, the whole question of revitalizing the economy, sharpening the cutting edge of American technology, these are matters that can be pretty well covered in a sentence in the state of the Union speech, that is about it. It makes a good sentence.

I have to say I share Senator Bayh's sense of frustration. I look at all of the economic indicators regarding the very sluggish growth rate of our economy, the high rate of inflation, trade deficit—we never had a trade deficit in this century until the 1970's—the low growth in productivity, the relatively small amount invested in R. & D. compared to our historic average and compared to other countries, the percentage of patents awarded to people from other countries, and I have to say I am concerned about the economy. I think it is important to have a strong foreign policy and national defense—but it has to be built on an economic base.

Now, there are a number of approaches to doing that. It can be done by the Internal Revenue Code. It can be done by various types of reorganization. This is really a very modest proposal Senator Bayh has offered. I have tried modest proposals, bold proposals, simple proposals, complicated proposals. I have tried them in the trade law. I have tried them in the Internal Revenue Code in my Finance Committee work. I have tried them in committee amendments, floor amendments. I have fought the battle in every trench. And what we got from the administration is a statement in the state of the Union message.

Now I am going to tell you what I think is a waste of time. I am going to be very frank with you. It is a total waste of the taxpayers' money for four people to come up here to tell us "No." Why doesn't the administration just have a form response, "Just count us no on everything, the President will veto everything"? Then get somebody, some office boy to come up and read it on everything that can be done to reinvigorate the economy of this country.

I will tell you, it is frustrating. There are any number of ways to approach the same thing—small ways, big ways, complicated, some controversial—this one totally noncontroversial, in my opinion. There is no sense of teamwork or cooperation on the part of the administration, no sense of trying to develop a common approach with the Congress, just a simple statement: "We are against it, we will veto it."

The Congressional Quarterly put out a report on how Congress supports the President. I happen to be in the minority. I was rated 76 percent. I have got to go back to Lincoln Day gatherings in the State of Missouri and try to tell Republicans in the State of Missouri why it could be that I support the President 76 percent of the time. "What kind of person am I," would they say?

Senator BAYH. I will be glad to help you on that.

Dr. WOLEK. I would, too, Senator. [Laughter.]

Senator DANFORTH. I would like to see a Congressional Quarterly report on Presidential support for the kinds of things that I am interested in. There is no sense of teamwork, there is no sense of trying to work anything out, there is no sense of being progressive, forward-looking, no idea of how to reinvigorate the economy, no economic policy, no trade policy, no research and development policy, no advanced technology policy, just one word that sums up

everything and that word is "No," and our Government is so inflated and bloated right now that you have to send four people to sit here like wooden Indians and tell us "No."

Dr. WOLEK. Senator, the reason why there are four people here is twofold.

Senator DANFORTH. Fourfold. [Laughter]

Dr. WOLEK. One, the issue before us is not simple. It is not unimportant. It is of very great importance, as you have noted and Senator Bayh has noted. The patent and trademark system is a fundamental contributor to the economic strength of this country and our technical progress.

Second, the reason why we are here—why I am here and not a clerk—is because both you and Senator Bayh have shown the commitment and the interest in these systems and in these problems that you have exhibited. We are here to try to help you in every way that we possibly can with whatever information you need—whether it embarrasses us, whatever its outcome might be—to help you reach the best possible decision for the public.

When you say the President has said nothing but a simple no and doesn't work with Congress, I think there is very clear refutation of that. The fact that we are here, the fact that we will continue to be available to your staff, that we were available to your staff before the bill was introduced to go over any one of the points that you are concerned about or that previous commissioners have raised in their speeches, documents that we are here to work with you. We will continue to do so in every possible way.

Senator DANFORTH. Doctor, I want to tell you something. I am on the Senate Finance Committee. Almost every meeting of the Finance Committee, certainly every tax bill, the Treasury Department is there, in the room, sits right at the table with us, participates in the conversation. They are available, their answer is always no, too.

It is easy to work with Commerce, having worked with Treasury for so long. There used to be, I am told, a teacher at the University of Virginia Law School who liked to ask questions that had to be answered in the affirmative or negative. And if the student answered yes and that was the wrong answer, he would say, "A shorter and more accurate answer would be no."

I think that is the basic approach of the administration on everything. It is very short, it is just two letters—no. I don't know, maybe that is your idea of cooperation and being forthcoming and being available, but it is not my idea of any kind of a two-way street.

I constantly get phone calls from the administration, visited by administration lobbyists. I am not sure it is proper, even legal for the administration to lobby the Congress, but they sure do. They have people standing off the floor, grabbing people, rushing them into the Vice President's office trying to convince us to do this, that, and the other thing.

Now where is the sense of any kind of two-way street? What are we going to do to get this economy rolling? Are we going to put up with a 13-percent inflation rate? Are we going to put up with the fact—a year or so ago I was making a speech saying that we save 6.5 percent of our disposable income, and that is lower than any

other country in the world. Now that has gone down to 3 point something percent. We are not saving, we are not investing, we are not putting money in research and development. And I am telling you, maybe you think the Patent Office is just fine and all we have to do is tinker around with it, but that is not the impression out there in the country of the people who work with it. They think it is ridiculous. They think it is a joke. They think instead of being a partner it is the enemy. That is the way they feel about the Patent Office. And Senator Bayh introduces a very simple bill—what is it, about one page in length? It just says give us an independent office, get it out of Commerce. How many departments has the Patent Office been in—in the Federal Government? Three, right?

Dr. WOLEK. Yes; as well as independent at one time.

Senator DANFORTH. Kicked around, moved around, passed around.

Dr. WOLEK. In the past 50 years it has been in one department. Senator, you stated that we always say no and we don't care. I believe our track record and the President's innovation message of October belies that statement.

Senator DANFORTH. I will tell you, I don't know of anybody out there in the country who feels that way. I think they just thought it was a bunch of verbiage.

Dr. WOLEK. There are many groups out there who have supported the President.

Senator DANFORTH. Verbiage.

Dr. WOLEK. Including the initiatives, the specific initiatives related to improving the strength of the patent and trademark system——

Senator BAYH. If I might just interrupt here, I don't want to get into this very interesting dialog. President Carter down there on his desk has that sign that I think all Presidents ought to have, "the buck stops here." In the final analysis, the product that comes out of the end of the tube is his responsibility. I honestly believe the man is sincere about wanting to move into the areas of productivity, and some of the things he made in that statement I think hold a great deal of hope. I have got to tell you the chance to get anything very creative out of that tube depends upon some of you guys who advise the President. He is worried about whether we are going to go to war and the Patent and Trademark Office is relatively insignificant compared to issues like that. That is where I get so exasperated, you have a budget analyst that recommends a totally unrealistic production standard that you rely on, you pass it on, finally he is proven to be wrong and yet now you tell us when we want to have a little independence that what is needed is one of your budget analysts with their broader perspective to determine what is going on.

I happen to wear another hat as chairman of the Intelligence Committee and I called the President, and I don't call him very often, a year or so ago and suggested in the strongest terms that I thought the recommendations in one area—a vital intelligence collection system—was woefully inadequate and I wished that he would consider this and help us try to push harder in a conference committee. Naturally, as any President would do, he turns to his adviser in this field and says work this out, go up and talk to

Senator Bayh. Here they come, the budget people, none of whom had ever run an intelligence system to tell me why we were going to be spending too much money if we did what we suggested we should do to move this system ahead. Again, it was no. We fought and we won, and then 2 months later the folks were coming back and said, "Boy, you sure were right on that one." It is funny to me that every living Patent Commissioner says there ought to be an independent PTO. People that are now there have got to speak the party line, so to speak. That is the way the ship runs.

You get people who are out of office, had a chance to reflect, and speak frankly, and every one of them says we are wrong in going ahead like we are now.

It seems to me if we are looking at the way a system runs and whether it can be counted on to change itself, if we look at past history, you can have a pretty good idea of what those same parties are going to do if they get another chance at it. The fact of the matter is these recommendations were made, they were sanctioned by the Commerce Department, they were then opposed at the Appropriations Committee level, then this separate commission was appointed by the President and those outside thinkers came up with the novel and creative thought that what the inside thinkers had wanted at the Patent Office is what was needed all along. And so your response to the need for new innovative ideas, brought to your attention by this Presidential Commission, were the same ideas that the people who had been running the Patent and Trademark Office said in the first place but were prohibited from implementing because of the structure at the Department. It seems to me we have a structural bottleneck here and we are not going to get the Patents and Trademark Office turned loose to let them do things that should be done unless we give them an independent status.

Senator, I apologize.

Senator DANFORTH. One thing that has been called to my attention, and that is that Senator Ribicoff may want to submit some questions to some or all of the witnesses and asks that his questions and responses be included in the record.

Senator BAYH. I appreciate the chance to work with Senator Ribicoff and my distinguished, dedicated colleague from Missouri. If there is no objection, we will permit any Senators to submit questions and, if you don't mind, responding to them in writing.

Dr. WOLEK. Not at all.

Senator BAYH. You wanted to have further comment, Dr. Wolek.

Dr. WOLEK. Senator, I think you said the system was obstructed in the Department of Commerce in terms of what those requests were. Those requests, I believe the specific ones you are referring to, have to do with actions to strengthen the patent quality system, specifically actions in reclassification, search file integrity and additional examiner time. Those were not obstructed. In fact, those programs all exist. All of those actions have been taken and have been approved in the past. The requests that have been made by people on the inside of the system is for more of that action. All that we have asked is: Show us the performance of the past efforts; show us the payoff that you have gotten; show us why you say that the reclassification levels should be 188,000 rather than 130,000

patents a year; show us why we need a 10-percent rather than a 5-percent search file integrity review, and why search file integrity review is the best response of the system. Show us the data; that is all we are asking. Document the record in order for us to go forth with a solidly defensible budget that we can present to the public and to the Congress. Those are the questions that have needed further study and that is exactly what we have been doing over this past year, to prepare the documentation and reach a sound understanding of what levels and what specific actions will strengthen the Office.

Senator BAYH. Do you believe that when Secretary Baruch added his approval last year for the request of $14 million in additional funding for the PTO that this was done without sufficient examination of whether this money was going to be spent wisely or not.

Dr. WOLEK. Senator, we have worked repeatedly on this question for a long period of time. Over that long period of time, for most of it, we have had to rely upon an internal system which we have come to understand has difficulties and needs renovation. At various times, our recommendations have been based upon results and data whose validity we afterwards came to question.

Senator BAYH. Is that answer yes or no, was a request insufficiently prepared, inappropriately presented, based on faulty data or not?

Dr. WOLEK. The request was based on incomplete data, yes.

Senator BAYH. Incomplete data, but when the President's Domestic Policy Review goes back and studies it, they come to the same conclusion. Did they use incomplete data?

Dr. WOLEK. The Domestic Policy Review came to the conclusion that work in those fields was useful. It did not state what the levels are. What we are doing now in preparation for the 1982 budget cycle is implementing those Domestic Council recommendations with specific targets as to levels of activity.

Senator BAYH. Well, we are playing ping-pong back and forth. I don't know how anyone can read that Domestic Policy Review's report and not understand its meaning. Page 1, proposal 1, "Upgrade the Patent and Trademark Office." You can't say you need outside review and then when the outside review agrees with what you have been told all along by the Patent Office, that the PTO has too narrow a view—your own experts reached precisely the same conclusion. The fact of the matter is, that somewhere in that structure, somebody is prohibiting those people who know how to run the office from running it as efficiently as possible. The President may veto this bill, but if he does, he is going to veto it over the personal advice of people like the Senator from Missouri and the Senator from Indiana. I think that this is important enough that the President should also hear from other than those people who are wed to continuing the process which everybody, even those people themselves, know is inefficient. Obviously the President has a lot of things on his mind, but before he vetoes this bill, he is going to know there are other thoughts than those that are reaching him through the channels. That is, I guess, one of the responsibilities we have. What he will do is his responsibility. I appreciate the position you are in.

Dr. WOLEK. The upgrading has already taken place in the 1981 budget submittal which is a direct response to the President's message that came out on October 31. To be specific, the kind of upgrading that has not been talked about internally, which is a strengthening of the management team, a modernization in the application of computer technology to office operations, various other types of activities. We are not waiting, not holding, not treading water. We are going forward, as you will see when the 1981 budget submittal comes to Congress next week.

Senator BAYH. What was the figure you got last year, the Patent and Trademark Office?

Dr. WOLEK. About $100 million.

Senator BAYH. And what are you going to request this year?

Dr. WOLEK. I am sorry, I am not able to give you the specific numbers yet.

Senator BAYH. Can you tell us what has been recommended?

Dr. WOLEK. No, sir, I have been embargoed from referring to specific numbers, but that will be available to you on Monday.

Senator BAYH. I assume that is also true of the people at the Patent and Trademark Office. I must say I get the rather distinct impression that the people at the Patent and Trademark Office have been embargoed from giving us any ideas, that all of their ideas, their suggestions as to how you run the office efficiently have to be run through somebody above them who takes into consideration the broader perspective that you have mentioned so often. I understand the need for a broad perspective, but if the Congress and a significant constituency in this country think that the Patent and Trademark Office needs to be upgraded, then it seems to me that this influence must be felt.

Thank you, very much, gentlemen. I appreciate you coming up, keeping your cool and presenting your thoughts on the subject.

Dr. WOLEK. Thank you, Senator.

Senator BAYH. We now have a panel of six former Patent and Trademark Office Commissioners—Donald Banner, C. Marshall Dann, Robert Gottschalk, David Ladd, William Schuyler, Jr., and Edward Brenner. Here we have a group of public officials who have served under the terms of six Presidents. Despite the fact you gentlemen all have a very narrow point of view, we appreciate you sharing that narrow point of view with us.

Who is the ringleader here?

Mr. GOTTSCHALK. There is no ringleader, as far as I know.

Senator BAYH. If we are not going to have a ringleader, my normal prejudice of starting with Purdue graduates would have to surface, and I would have to ask Mr. Banner to proceed, but I don't want to intervene.

Mr. LADD. I think we can nominate Mr. Banner. We yield to Mr. Banner.

**TESTIMONY OF DONALD W. BANNER, McLEAN, VA.; C. MARSHALL DANN, PHILADELPHIA, PA.; ROBERT GOTTSCHALK, CHICAGO, ILL.; DAVID L. LADD, CORAL GABLES, FLA.; WILLIAM E. SCHUYLER, JR., WASHINGTON, D.C.; EDWARD J. BRENNER, ARLINGTON, VA.**

Mr. BANNER. Thank you very much. Mr. Chairman, I am pleased to be here today.

I was a little surprised to find that I was an outsider as you will see in a moment. I gave a speech as an outsider last August which clearly reflected my concern, some of the things Senator Danforth talked about—recession, foreign deficit payments, inflation. With your permission, Senator, I would like to ask that that talk be incorporated by reference here.

Senator BAYH. Without objection it will be inserted at this point.

[The statement referred to follows:]

## APPENDIX A

### LUNCHEON
**August 11, 1979**

### ADDRESS
**Donald W. Banner, Immediate Past Commissioner of Patents and Trademarks**

Shortly after I resigned from my office as Commissioner of Patents and Trademarks, Chairman Benson called, stating that he would like me to tell the Section of the more important conclusions I reached as a result of having been Commissioner. I accepted that challenge and am pleased to have the opportunity to speak with you this afternoon.

To do this I must discuss activities in two very different places, namely, that of the Patent and Trademark Office in Arlington, Virginia, and that of the Department of Commerce in Washington, D. C. This reminds me of Dickens' famous "A Tale of Two Cities." While the Dickens' tale was fiction, and my comments are factual, nonetheless I can succinctly summarize my experiences as Commissioner by using the Dickens' statement:

> "It was the best of times. It was the worst of times. It was the age of wisdom. It was the age of foolishness. It was the epoch of belief. It was the epoch of incredulity. It was the season of light. It was the season of darkness. It was the spring of hope. It was the winter of despair."

Let me be more specific. There is so much useful work to be done, so many things that should promptly be accomplished to improve the nature and strength of our country. As we all know, we are in an inflationary period in which the annual inflation rate is about 13%; the government economists tell us we are in a deepening recession; last year the balance of payments deficit was a record 28.5 billion dollars. On June 28 of this year the *New York Times* said,

> "Last year, trade in manufactured products was in deficit by 6 billion dollars. A deteriorating performance in this sector has been the major cause of the decline in the overall trade balance since 1975.
>
> "In 1970 West Germany replaced the United States as the world's largest exporter of manufactured goods. Today, Germany is close to replacing the United States as the leading exporter of all goods, and Japan is threatening to drop the United States into third place among exporters of manufactured products."

Most everyone agrees that a vigorous, innovative climate in the United States would assist in all of these areas; that is to say, in reducing inflation, in lightening or eliminating the recession and in improving the balance of payments deficit. There is nothing more important for us to address for these are fundamental challenges to our way of life. Every reasonable step to solve these problems must be taken. Furthermore, almost everyone agrees that the role of the patent and trademark systems in creating such an innovative ambience is vital. If, however, we look to determine just what is the policy of the United States with respect to the patent and trademark systems, we become aware of some rather disturbing facts. For example, in the June 13 *Congressional Record* Senator Schmitt said.

> "Despite the obvious significance of the Patent and Trademark Office

to the innovative process and national productivity, real dollar funding for the Office has been steadily declining over the past three years."

We all know that unless the inventor—and particularly small business—can have reasonable certainty that, once granted, his patent is (1) valid and (2) enforceable, then the rights conveyed by a patent are illusory and, ultimately, the patent system becomes a cruel hoax. Despite this fact we are still today permitting gradual degradation of the integrity and completeness of the patent search file, the principal source in determining patentability of inventions; there are serious limitations on efforts to improve ease of access to the search file by restructuring the many obsolete classifications and instituting modern mechanized search and search-assist systems; and we are not able to institute a system to ensure comprehensive inclusion and control of foreign patents in the search file. Furthermore, and despite the fact that technical literature is both proliferating at an exponential rate while at the same time becoming more complex, the average time that an examiner devotes to an application today is substantially less than it was in the past. It is estimated that 15 years ago 20 to 30% more time was allotted to every application, and 30 years ago an even greater amount of time was allotted to such examination. This dire neglect of the Patent and Trademark Office is also obvious in that many patent examiners must send out their Office actions in longhand, and there are not sufficient funds provided so that the United States of America has a duplicate copy of its official record of the progress of a patent application through the Office, the file history. It is astonishing that throughout the years the Patent and Trademark Office has been so underfunded that it could not make a microfilm copy of the official record of proceedings in the Patent and Trademark Office for its permanent file, especially in view of the fact that the paper copy is placed in the Public Search Room upon issuance of the patent whereupon sections of that official record frequently disappear. Indeed, it is not unheard of for the whole file wrapper to totally disappear.

Furthermore, despite the need for patents to issue as promptly as possible so that the technology becomes available, so that small businesses can obtain financing or licenses, so that issuance of patents in other countries to foreigners on the same technology is prevented, so that research and development is spurred and for the many other reasons which we could catalog, in this fiscal year the total number of patents which will issue is over 20% below that which issued last year due to budgetary problems. At the same time the average pendency of a patent application is increasing.

In the trademark area, the situation is approaching disaster proportions, and Sidney Diamond may have something to say in more detail on this subject during his luncheon address on Tuesday. Suffice it to note that the number of trademark examiners to be on board in 1980 will be the same as that in the mid-1970's while there will be 65% more applications to handle. The pendency to *first* action will be 13 months in 1980, 16 months in 1981, and rising from there unless somehow checked. We need not, therefore, probe the statistics of the trademark problem any further at this time.

What are we to conclude from the above? In my view we are faced with a slowly but steadily declining Patent and Trademark Office. Not only are we failing to make the PTO a model office, we are failing to provide the necessary maintenance. If we do not promptly reverse this direction of move-

ment, it shall soon be infected with an administrative dry rot condition, rending it moribund. Why are we in this condition? What can be done about it? How can the Office more effectively and efficiently respond to the needs of the public, to the business community, to the Congress, and how can it contribute more positively to the invigoration and growth of our country?

I think we must go to the root source of the problem and face up to certain basic issues. One of these issues relates to the forthcoming fee legislation. While for the moment this seems to be bogged down in the domestic policy review, I think that it is predictable that there will be legislation proposed increasing the fees payable to the Patent and Trademark Office. Specifically, the last time that fees were increased was in 1965, at which time a cost recovery rate of 74% of Office expense was considered reasonable. In comparison, the recovery level dropped to 30% in 1978. In 1965 fees were increased 247%. When the future increase in fees is effected, I would hope that it would not be as drastic. Indeed, I would expect that the increases would be graduated and that the whole fee approach would be different. Specifically, I think that the future fee legislation may provide that services offered by the Office and activities in connection with registration of trademarks would require full reimbursement by the applicant, while in the area of patent examination the fees would be set to recover some percentage—possibly 50%—of the cost of that activity. To a greater degree than ever before, therefore, the public and the bar will be directly paying for, and therefore greatly interested in, operations of the Patent and Trademark Office. In this regard, I have recommended that there be increased emphasis in the Office on planning and budget control under a new Assistant Commissioner for Policy and Planning.

The public and the bar can have an open, no-nonsense Patent and Trademark Office operating with a minimum time delay and producing an efficient and reliable product if (1) they are willing to pay for it, (2) the increased fees go only to provide better service, and (3) an entirely different organizational arrangement within the government is established for the Patent and Trademark Office.

At the present time in the Department of Commerce there is, as you know, an Assistant Secretary for Science and Technology. That official has on his staff budget people representing the Department of Commerce budget group and legal people representing the Department of Commerce legal staff. As a result, many products of the Patent and Trademark Office, such as letters relating to legislation being proposed, letters relating to rule changes, matters pertaining to the budget, and certain letters to Congress, must first go from the Patent and Trademark Office for approval to the staff of the Assistant Secretary for Science and Technology. This will frequently involve many letter exchanges, the matter will thereafter go to, for example, the budget group of the Department or the legal staff of the Department for further study; needless to say a great deal of time is consumed in this exercise.

Indeed, it was during one of these exchanges, which extended over several months, that my theory of government described as "pushing the infinite marshmallow" evolved. In addition to the unnecessary amount of time consumed in such matters, this complex, bureaucratic arrangement also results in there being substantially no contact between the Patent and

Trademark Office and either the Office of Management and Budget or the Congress. Indeed, the Patent and Trademark Office does not even contact the Office of Management and Budget with respect to the PTO budget. This results in some rather strange circumstances. As a practical matter, it is not only the total amount of the budget but also the priority of distribution which is determined at OMB without PTO participation.

I recommend, therefore, that the Patent and Trademark Office be made a separate agency, independent of the Department of Commerce. Such an agency would be in a position to be much more efficient than it is today. At the present time the Patent and Trademark Office obtains only about 4 to 5% of the Department of Commerce budget and obtains no significant assistance from the Department of Commerce. Indeed, it is apparent that the needs of the Patent and Trademark Office are at least in some degree adversely affected by other components of the Department of Commerce. It is apparent that the trademark operation particularly suffers and that its woeful neglect in the past may in no small degree have been the result of its administrative positioning under a science and technology group. Trademarks obviously have no connection with science and technology as such.

There is no question at all in my mind but that the Patent and Trademark Office could respond more fully to the needs of the public and more efficiently and meaningfully to the requirements of the Congress by being a separate agency. The PTO has nothing to hide and would welcome close scrutiny by the Congress and by OMB. It would thrive in the bright sunshine of such scrutiny, out of the shadow of the Department of Commerce. The mission of the Patent and Trademark Office is clearly set by the statutes under which it performs. The Department of Commerce cannot and does not assist the PTO in carrying out its functions under those statutes in any way which cannot be better done by the PTO itself. The added cost of the PTO as an independent agency would be minimal, estimated at about $150,000 a year, but this would be well spent in achieving a much more efficient operation than we have today.

There is no need, from a political standpoint, to have the Patent and Trademark Office subordinate to the Department of Commerce. Indeed, the PTO should be operated with as little political influence as possible. Furthermore, by having the status of an independent agency, the Commissioner could be appointed for a fixed term of years, thereby eliminating this unfortunate practice which we now follow of having commissioners come and go with frequency. As a matter of fact, William Schuyler resigned as Commissioner almost exactly 8 years ago today; during the intervening 8 years the accumulated time in which there was no commissioner equals two years. These gaps in continuity are totally unnecessary and highly undesirable, inasmuch as they inevitably lead to at least some uncertainty despite the fact that those who have been left in charge, such as Lutrelle Parker, have done the best possible job under the circumstances.

It may be of interest to you to know that many former commissioners have in the past supported previous proposals to establish the Patent and Trademark Office as an independent agency; included in this group are former Commissioners Ooms, Kingsland, Marzall, Watson, Gottschalk and Dann. The fact that there were such previous proposals emphasizes the ob-

vious long-standing need for correction and also the point that particular persons or personalities are in no way involved in support for this progressive step.

Strangely enough this Section, both in 1957 and in 1959, refused to support resolutions establishing the Patent Office as an independent agency. (As a matter of historic interest, I could not find any position of the American Patent Law Association on this subject.) In any event, I would most strongly urge that the Section now—at this time—articulate in unmistakable terms its desire that the Patent and Trademark Office be made independent. The time to speak is now. Never has the Congress and the people been more interested in innovation, in the patent system, than they are right now. As just one example, Senator Bayh recently said,

> "The national concern that has arisen over our lagging productivity and innovation rates has caused the Congress to have a new sensitivity to the functioning of the Patent and Trademark Office."

He has worked diligently in the past few months to increase the funds available to the Patent and Trademark Office; he has just introduced a bill, S. 1679, providing for statutory reexamination. Senator Schmitt, as I indicated earlier, has also been very interested in supporting the Patent and Trademark Office, as has Senator Stevenson. And this despite the fact that the Patent and Trademark Office has almost no direct contact whatsoever with Congress or with the Office of Management and Budget.

There now are over 50 such independent agencies in the Executive Branch of the federal government. For example, there is the Federal Trade Commission which is about 60% the size of the PTO in both employees and budget; the Federal Communications Commission, about 70% of the PTO size; and the National Labor Relations Board, which is slightly larger than the PTO. The quasi-judicial nature of many of the PTO activities strongly suggests its operation as an independent agency.

I don't think that we will find anywhere a better group of people than those we are fortunate enough to have in the PTO. They need no supervision from the Department of Commerce in carrying out the duties set out for them by Congress in the patent and trademark statutes. I am quite aware that there are those who will say that the opposition to such a program is too great and that nothing can be done. I believe, however, as Teddy Roosevelt did, that it is far better to dare mighty things, to win glorious triumphs even though checkered by failure than to take rank with those poor spirits who neither enjoy much nor suffer much because they live in the great twilight that knows neither victory nor defeat.

What we are about here is important for it is an effort which will help our country combat the fundamental challenges to our way of life I mentioned earlier: inflation, recession, foreign payment deficits. What we are about here is an effort to help move this great country of ours more vigorously forward into an ambience which its creative juices, technologically and economically, will flow more freely and abundantly.

To paraphrase Barbara Ward Jackson I believe that if we Americans will work together diligently and creatively, our great days are ahead. This country, with its unmatched political and economic promise, was not designed for the static, the stagnant, nor the complacent. No indeed. It was

> rather designed for the men and women who will dream greatly and dare greatly and who will take those steps necessary to make their work catch up with their dreams. Let us do precisely that.

Mr. BANNER. Thank you. I came to Washington, to give you some of the benefit of experience as to why I felt so strongly about this issue, why I mentioned it in my speech in August, I came to Washington concerned about these very items impacting our country. After about 30 years of practice in the patent and trademark field, I came sincerely believing there were good things I could do for our country if there were significant contributions as my training and experience would permit me to make the Patent and Trademark Office into the Patent and Trademark System.

I was very proud to have the support of a great many people in my profession and the support of almost all the national organizations relating to patent and trademark matters. We were all wrong in assuming something truly meaningful could be accomplished. Let's look at the situation as it exists.

The Patent and Trademark Office is unique. It's genesis lies in the first Congress of 1790. It has been, as you know, at different times, under the jurisdiction of the Departments of State, Interior, and Commerce. Since 1836 the basic patent function has been substantially the same as it is today; from 1836 to 1948 there was a very close degree of communication between the Patent Office and the Congress, both the Senate and the House each having a Committee on Patents throughout that period. Indeed, during that period, nine Members of Congress served as Commissioner of Patents. I point out to you it was an era of great innovation in the United States.

In 1948 that excellence in communication was interrupted. Today the Patent Office has substantially no direct communication with Congress and is a very minor, 4 to 5 percent, portion of a vast agency. It has been neglected and it is struggling to stay alive. The voice of the Commissioner is faint, indeed, in the Department of Commerce. In the Congress—and at OMB—it isn't heard at all.

The insensitivity of the various layers at the Department of Commerce to the problems and needs of the Patent and Trademark Office can be seen, for example, from the following instance. When I came into office in 1978 the budget in effect contained an error—which was not made at the PTO. Specifically there was not enough money to continue to pay the salaries through the next, 1979, fiscal year of the patent examiners who were already working there. Despite the fact that the PTO promptly and repeatedly asked that steps be taken to correct this error, nothing at all was done by the Department until well into 1979. By that time drastic measures had to be taken, the result being that a large sum of money was removed from patent printing to pay the examiners. The slash in patent printing funds had to be so drastic that printing cost penalties were incurred; as a result, only about 55,500 patents could be printed in fiscal year 1979.

For comparison, 70,300 were printed the year before. This failure to print patents clearly was detrimental to those of your constituents who needed the patent grant to obtain capital, who needed the patent to obtain license revenue, who needed the patent to stop copiers. In addition, the failure to print our patents permitted others in foreign countries to obtain patents there on the technology not printed here because the failure to print here meant that

the subject matter did not enter the prior art. For the most part, these adverse consequences were unnecessary.

If anything, the submersion of the PTO into the depths of Commerce has created even greater difficulty in the trademark area. In the first place, forcing the trademark activity of the United States into a Science and Technology subdivision of the Department of Commerce is highly illogical. The result has been neglect of such degree that the trademark search file is badly outdated, the response time for first actions in trademarks has quadrupled in the last 3 years, and the trademark processing areas have suffered so severely that in some cases it has taken almost 6 months to get a certified copy. The trademark registration function is marching rearwardly; there were 68,000 trademark applications pending at the end of fiscal year 1978 and it was estimated that this would increase by 250 percent to 172,000 by the end of fiscal year 1985, if the existing funding trend continued. Possibly it has been changed by the increased funding to which we just referenced. Of course, I am not familiar with that.

Criticism by the public has been strong, loud and growing—and rightly so.

Yet, the full implications of these patent and trademark conditions are not discussed by the Commissioner with either OMB or the Congress. This inability of the Commissioner to communicate, under the present system, directly with Congress and with OMB is the root cause of much of the difficulty. While the great majority of people recognize the pivotal role of the patent and trademark systems in promoting innovation and creativity at this critical time, we seem to be marching backwards. The new European Patent Office has 2½ times our funding per patent application and twice our staff. By comparison, we soon will be second rate.

Let us open the problem to the light of appropriate scrutiny. In describing his recent efforts to increase funding for the PTO, Senator Bayh recently said, "Unfortunately, the Commerce Department decided to oppose my efforts by saying that if any more money was appropriated there was a good chance that it would be misused." In the first place, the Commissioner was never previously aware that that had been said by the Commerce Department. Further, it is very difficult to understand how any such money could be misused by the PTO because the Department allocates the money to be spent on each individual function. It is even more difficult to understand how the use of such funds to alleviate the trademark problems listed above could be misused; or how it would be misused, for example, to use such funds to improve the patent examining process when: One, the search files are incomplete and out of date; two, technical training for examiners is virtually nonexistent; three, examiners have much less time to spend on each patent application than they had before; four, many examiners must write out their official actions in longhand and are mailed out throughout the world in that condition; and five, no copy of the official Government record of a patent application can be made with the funds available so that when the official record disappears, as it frequently does, the Government does not know what transpired.

It should not be assumed that only budgetary matters are subjected to this bureaucratic overlayer. Legislative and organizational

matters, too, must go through the review by various individuals in the hierarchy, many of whom had a singularly casual acquaintance with the issue. Undaunted by this lack of expertise, they proceed to become enmeshed in the problem and the result is unnecessary delay.

For example, the formal recommendation that there be an Assistant Commissioner in the PTO specifically in charge of budget and finance was made about 9 months ago. It was discussed for a considerable period before that. Such a reorganization would materially upgrade the financial and planning operations of the PTO. Despite the vital importance of this step, to my knowledge, nothing has happened.

Consider also the Trademark Registration Treaty. That Treaty, at the behest of the United States of America, was negotiated in 1973. The proposed implementing legislation was prepared in due course, but has never been submitted to Congress. While the Department of Commerce, and I want to make this very clear, is responsible for only a relatively small part of this delay, I have no doubt at all that an independent PTO could have moved this matter along far more quickly. Many other countries have publicly stated that their view of TRT depends upon what the United States will do with it; they wonder why the United States—after almost 7 years—can't make up its mind. One reason is that the Congress, after 7 years, still does not have the implementing legislation—and may never get it. I do not argue for or against the Trademark Registration Treaty; it is a controversial matter on which both sides should be heard; I do indeed object, however, to a pocket veto by virtue of neglect and confusion.

The Paris Convention, the most important international treaty in the world concerning patents and trademarks, is the subject of a diplomatic conference next month in Geneva, Switzerland. If there is to be any implementing legislation resulting from this diplomatic conference, I hope the Congress receives it in something less than 7 years.

The impact of the present organization arrangement on all such treaty matters, and on legislation in the patent and trademark field, is substantial. At the present time, section 3 of title 35, United States Code, makes the Commissioner subordinate in all respects to the Secretary of Commerce. As you know, the Secretary delegates most of this authority to the Assistant Secretary for Science and Technology.

The net result of this structural arrangement is that the Commissioner is a bystander, not a participant, in many policy decisions directly connected with patents and trademarks. For example, a recent administration proposal has been made relating to the ownership and use of patents arising out of Government contracts. This issue obviously relates to the effective use of technology on which a tremendous amount of tax dollars has been—and will be—spent. Nevertheless, the Commissioner has not had any contact whatsoever with that proposal nor any voice in its formulation. Therefore, neither the President nor any other person in the entire administration or in the Congress has had the benefit of the Commissioner's views.

In like fashion, the Commissioner is a bystander with respect to discussions with Congress and at OMB concerning the budget of the Patent and Trademark Office. Inasmuch as the budget often shapes—and sometimes determines—policy, this means that policy is set without the Commissioner's input and sometimes without a full discussion of all of the ramifications. This type of omission would not occur if the Patent and Trademark Office was an independent agency.

Senator BAYH. Excuse me, would you repeat that? I am sure you wouldn't say it if it wasn't true, yet it seems almost unbelievable that the Commissioner has so little input in decisions directly affecting his Office.

Mr. BANNER. This is what I said, Senator. In like fashion, the Commissioner is a bystander with respect to discussions with Congress and OMB concerning the budget of the Patent and Trademark Office. Inasmuch as the budget often shapes and sometimes determines policy, this means that policy is set without the Commissioner's input and sometimes without a full discussion of all of the ramifications.

The proof of the pudding is in the eating. The Patent and Trade mark Office, totally subordinate to the Department of Commerce, is in danger of becoming second rate; it has not been able to perform up to the standard the American people have a right to expect. The main reason for this failure, in my view, can be obviated by making the Patent and Trademark Office an independent agency.

The PTO is a complex machine, the functions of which are setout by the patent and trademark statutes. It is not—and should not be—political. It has responsibilities which are both domestic and international. It should be moved into the sunlight of direct scrutiny, both by Congress and by OMB. It should have an experienced and capable Commissioner at its head appointed for a fixed term of 6 years so that he can adopt programs, carry them out, and be responsible for their results.

Obviously, I am not recommending any arrangement under which the PTO would obtain all the money it thinks it needs, nor one in which the office by itself would determine U.S. policy at home and internationally in the patent and trademark fields. Neither is this a matter of creating a new agency—it is not. Rather, it is a matter of carrying out the statutory and treaty mandates of an existing agency, which is as old as our country, in a more efficient and effective manner. It is a matter of putting the Commissioner in a position in which he can freely and frankly present his views to Congress and OMB. It is a matter of formulating domestic and international policy of the United States in patent and trademark matters in a manner which is informed, thorough and expeditious.

Enactment of S. 2079, the Independent Patent and Trademark Office Act would accomplish these ends and therefore would be in the best interest of the people of the United States; I strongly support its enactment.

Thank you very much.

Senator BAYH. Thank you very much, Mr. Banner. I don't know how anyone could find any equivocation in that statement. You laid it right out there.

Mr. DANN. Thank you, Senator, Senator Danforth. My name is C. Marshall Dann. I served as Commissioner from February 1974, through August of 1977, so I was Commissioner Banner's immediate predecessor. I support S. 2079 and I urge that it be enacted into law. I believe that the Patent and Trademark Office can carry out its statutory responsibilities most effectively and most efficiently if it is an independent agency rather than a part of the Department of Commerce or a part of any other department. As we all recognize, the efficient operation of the PTO is a very strong factor in the whole operation of the patent system. It will provide the incentives that the system is supposed to provide.

Now, I should say that during my 3½ years as Commissioner, for the most part, I enjoyed very good relations with the Department of Commerce and with my immediate superior, the Assistant Secretary for Science and Technology. The Assistant Secretary was, I would say, ordinarily supportive of our efforts in the PTO to improve the operations. Nevertheless, even under this relatively favorable climate, the Department of Commerce often impeded our efforts and rarely was of any assistance to the Patent and Trademark Office. Of course, because we were a bureau of the Department, there were many actions that we could not take without approval of or active participation by the members of the Department and at best, this involved delay and often it did amount to obstruction of what we thought were very constructive undertakings.

Many of the problems resulted simply from having additional layers of review. For example, on legislative matters, not only was it necessary to have clearance from OMB before presenting something to the Congress, but it was necessary for us to go to the Department of Commerce before there could be any communication with OMB. Once in a while we had direct contact with OMB on matters, but quite often we did not. Quite often when we did have contact it was as Commissioner Banner has described, as a bystander.

The same thing was true on budget matters, very importantly true. On personnel matters which required the approval of what during my tenure was known as the Civil Service Commission, it was invariably necessary to go through the personnel people of the Department of Commerce. Internal organizations at the PTO could be made only with approval from the Department. I would like to cite one example. In this area of documentation, of reclassifying the search file which is so vital to the patent examining operation, shortly after I had joined the Office, it seemed to me that we would do better in this area if we merged at that time two of the existing groups in the Office. One was working on new search procedures and the other was the ordinary classification group. So I proposed what I thought was a pretty simple reorganization. In my previous experience, which was with a large industrial corporation, once I had persuaded my superiors that it made sense to make that change, it would have taken about 3 days to implement it. You may not believe it, but it took 6 months to get approval from the Department of Commerce to make that change which seemed to me was going to advance our work in those extremely important areas.

Clearance with the Department did not ordinarily mean getting the approval of a single person. Everyone has a staff and the approval has to come from one person who then delegates it to some of his people and studies are made and ultimately answers come back, but it takes a long time.

It is true that the Department of Commerce supplies some services to the Patent and Trademark Office, some central services, but in my perception the overall value of these was very minimal and very much overbalanced by the ways in which there was duplication of effort and actual obstruction.

Obviously if the office were an independent agency, it could keep Congress better advised and be more responsive to its wishes.

Finally, on the question of the term of a Patent Commissioner, 20 years ago Robert Watson was the Patent Commissioner. In the time since he left and before the present incumbent, Commissioner Diamond, was sworn in, six others came and went—we are lined up here. Our average time in office was less than 3 years. Considering that it takes quite some time for any new person to become acquainted with all the complicated and detailed activities of the PTO and also to become effective in the international discussions, which the Commissioner must participate in, it would be very much in the public interest to arrange for longer tenures. The fixed term of 6 years, which your bill provides, seems to me quite a satisfactory choice of time, long enough to allow the Commissioner to become fully effective but not so long as to prevent the introduction of new viewpoints when that might seem appropriate.

Thank you very much.

[The prepared statement of Mr. Dann, with responses to written questions, follow:]

PREPARED STATEMENT OF C. MARSHALL DANN

My name is C. Marshall Dann. I am a member of the Philadelphia patent law firm of Dann, Dorfman, Herrell and Skillman and am a former Commissioner of Patents and Trademarks. My service as Commissioner began in February 1974 and continued through August 1977. I am also a former President of the American Patent Law Association and the Philadelphia Patent Law Association and am currently a member of Council of the Patent, Trademark and Copyright Section of the American Bar Association. I am testifying as an individual and not in behalf of any other persons or organizations.

I support S. 2079 and urge its enactment into law.

It is my belief that the Patent and Trademark Office can most effectively and efficiently carry out the responsibilities given it by law—that is, the examination of patent and trademark applications—if it exists as an independent agency, rather than as part of the Department of Commerce or of any other department in the Executive Branch.

The efficient operation of the Patent and Trademark Office has a profound effect on the incentives to conduct research, to develop new inventions, to invest in production facilities and to make available new products and technology which the patent system affords.

During the three and a half years when I was Commissioner, I enjoyed for the most part very good relations with the Department of Commerce and with my immediate superior in that department, the Assistant Secretary for Science and Technology. The Assistant Secretary was ordinarily supportive of our efforts to improve the operation of the Office.

Nevertheless, even under this relatively favorable climate, the Department of Commerce often impeded our efforts and rarely was of assistance to the Patent and Trademark Office. Because the Office is a bureau of the Department of Commerce, a great many actions could be taken only after approval by or with active participation by the Department. At best, this involved delay, while quite often it amounted to obstruction of what we viewed as very constructive undertakings.

Many of the problems resulted simply from having additional layers of review. For example, on legislative matters, not only was it necessary to have clearance from the Office of Management and Budget before views were presented to the Congress, but it was also necessary for the Patent and Trademark Office to go to the Department of Commerce before there could be any communication to OMB. Sometimes Patent Office personnel had direct contact with OMB, though often they did not. The same thing was true on budget matters. On personnel matters requiring the approval of what during my tenure was known as the Civil Service Commission, it was invariably necessary to go first through the Personnel Office of the Department of Commerce. Internal Patent and Trademark Office organization changes could be made only with approval from the Department.

Clearance with the Department did not ordinarily mean the approval of one person. Instead, in routine bureaucratic fashion, each approving person had a staff of persons reporting to him who first had to review the matter at issue. In all the paper-shuffling, there was rarely a sense of urgency.

While it is true that certain services were made available from the Department of Commerce to the Patent and Trademark Office, the overall value of these was minimal. In my judgment, their value was considerably more than balanced by the extensive duplications of effort which occured.

If the Office were an independent agency, it could keep Congress better advised and be more responsive to its wishes.

Twenty years ago Robert Watson was the Patent Commissioner. In the time since he left office and before the present incumbent, Commissioner Diamond, was sworn in, six other Commissioners came and went. Their average time in office was less than three years. Considering that it takes quite some time for any new person to become acquainted with all the detailed activities of the Patent and Trademark Office and to become effective in international treaty discussions, it would be very much in the public interest to arrange for longer tenures. The fixed term of six years provided in S. 2079 seems to me quite a satisfactory time, long enough to allow the Commissioner to become fully effective, but not so long as to prevent the introduction of new viewpoints when that seems appropriate.

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February 11, 1980

The Honorable Birch Bayh
363 Russell Senate Office Building
Washington, D.C. 20510

The Honorable John C. Danforth
460 Russell Senate Office Building
Washington, D.C. 20510

Dear Senators Bayh and Danforth:

This letter will attempt to respond to the questions put to me as a former Patent Commissioner by Senator Bayh in his letter of January 30 and to the questions put by Senator Danforth at the January 24 hearing to former Commissioner Banner and the five other former Commissioners who were in attendance. In the latter connection, this will supplement the views already presented by Commissioner Banner in his letter of January 29 to Senator Danforth.

The specific questions and my answers are as follows.

1. Do you believe that the interests of the Patent and Trademark Office or of the patent and trademark system are better served under the present arrangement than they would be be making the Patent and Trademark Office independent?

No, I feel rather strongly that the interests of the Office and of the system would be better served if the Patent and Trademark Office were independent. If it were independent, it could clearly be more responsive to Congress and it would be at least as responsive to the public and to the Administration as it now is. Independent status would permit control and management of the Office by persons who are knowledgeable and interested in the field of intellectual property, rather than by persons who may have substantially greater concern with other matters. Direct lines of communication with OMB and with the Congress would increase the chance that the Patent and Trademark Office could begin to give the public the service it should have and to introduce the changes needed to improve the incentives to invention and innovation which the system is designed to provide.

As an example, it is my view that the most fundamental problem facing the PTO is the need to attain completeness and integrity of the search file. The quality of examination which the Office can give is directly tied to the quality of the search file. If this is allowed to deteriorate further, the point will be reached where there is not very much sense in continuing to examine patents at all. Yet to correct current deficiencies in the search file, there is needed a very substantial appropriation for several years, larger by several magnitudes than is now being proposed. Thereafter, Office costs should be no greater, allowing for inflation, than they have been in past years. The chance of getting such an appropriation through the good offices of the Department of Commerce seems to me extremely small. Yet I believe this to be very much in the public interest and that this would be appreciated by the Congress if it were ever possible for it to hear the whole story.

2. Did you find that the Commerce Dept. and OMB listened to your advice when it came time to prepare your budget? Were you ever not consulted or brushed aside by the Commerce Dept. when trying to make your needs known?

The PTO makes the first draft of its budget, although even at that stage must work within tight guidelines laid down by Commerce or by OMB or both. During the budget process, there is invariably contact with budget officers from the Department of Commerce and normally with the Assistant Secretary for Science and Technology. Once during my three and a half years in office, I was permitted to meet with OMB representatives on the budget. I was also permitted to testify several times before the House Appropriations Subcommittee on the PTO budget as finally approved by Commerce and OMB, though I understand this has not been allowed at any time since. There was no time when I was entirely precluded from presenting my views on our budget to Commerce, although there were a number of times when communications were difficult or when recommendations were rather arbitrarily (in my view) dismissed or ignored. Discussions on the PTO budget in which I had no part took place between the Assistant Secretary's office and the Commerce budget officers, between Commerce and OMB and between Commerce and the Congress.

3. Is there anything short of making the Office independent that can accomplish the same objective, for example making the Commissioner an Assistant Secretary or providing the Office with direct contact with OMB?

I do not think so, although some improvement could result from the changes referred to.

If the Commissioner were an Assistant Secretary, his freedom of action would be increased as he would avoid one level of review with its delays and occasional frustrations of constructive actions. His increased stature in the Department would probably produce faster action and possibly more sympathetic action by other units in the Department, such as the budget, personnel, organization and General Counsel's sections. Such a change would not avoid the need for approvals from such units, which are almost always duplicative and time-consuming.

Direct contact with OMB would be better than the present situation, but would not have much effect unless the PTO budget were made independent of the Commerce budget. Even if it were, any Commissioner who wished to stay in office could not depart very far from positions or views taken by Commerce or by the Assistant Secretary.

4. What was your reaction to the comments presented this morning from the Commerce Dept. for keeping the present arrangement intact? Do you think that the new-found interest in the Patent Office by Commerce is adequate for preventing similar neglect of the Office in the future when the present political heat dies down?

Comments from the Commerce Department presented at the hearing appeared to make two main points: first, that the Patent and Trademark Office needs guidance from Commerce in order to formulate a budget that will enable Administration goals and objectives to be met and second, that it is necessary for the PTO to be integrated with other parts of the Commerce Department in order that policy on industrial development and technological innovation will be consistent. I do not consider either point well taken.

As to the budget, the Commerce representative indicated that during the past several years the Office had not made a convincing case for its budget and that only now has a firm basis for future budgets been established. The implication was that the PTO simply could not manage its affairs without Commerce help. As both you forceably pointed out during the hearing, however, Commerce is now coming around to asking for that which the PTO had asked for initially. While the PTO may not have articulated its needs in the best way, it has not been shown that it was wrong or that the intensive review which has consumed so many man-hours has produced anything more than dislocation and interruption of needed services to the public.

It was stated during the hearing that the PTO budget has been a matter of concern to the Appropriations Committees in recent years. It is my understanding that the reason this may have been so is because the Commerce Department itself

communicated doubts to those committees which in the main, have not been substantiated. It was disheartening to hear that Commerce intends to devote more resources to liaison with the Patent and Trademark Office, resources which in my judgment could be better applied to the examination of patents.

It was suggested by the Commerce Department representative that only by remaining a part of the Commerce Department could the PTO have appropriate contact and guidance from others concerned with policy in the field of innovation. The PTO now has regular contacts and consultation with other departments, notably the Department of State, the Department of Justice and others. It could just as readily have close contacts with the Department of Commerce when this served a useful purpose. I do not recall anytime during my tenure when better policy integration resulted from our being part of Commerce than if we had been independent. The point was made at the hearing that policy decisions should be made by officers who are directly responsible to elected officials and it was noted that the Assistant Secretary of Commerce for Science and Technology serves at the pleasure of the President and is subject to confirmation by the Senate. Exactly the same thing is true under present law with respect to the Commissioner of Patents and Trademarks.

The amount of attention paid the PTO by the Commerce Department has varied considerably over the years, depending a great deal on the person occupying the position of Assistant Secretary of Science and Technology. On the whole, the office has been able to do its job better when attention from Commerce was not too intense. It may be noted that several previous efforts to upgrade the Commissioner to the status of an Assistant Secretary have been blocked by Commerce. Former Commissioner Schuyler testified as to one such experience while he was in office. More recently, Commerce opposed the provision in Senate-passed S.2255 of the 94th Congress which would have accomplished this change.

Finally, to address directly the question propounded by Senator Danforth as to why there is any more reason to make the Patent and Trademark Office an independent agency than any other bureau now part of a cabinet level department, I believe there are several reasons why the PTO is unlike most other bureaus. For one thing, the PTO operates under its own statute, 35 U.S.C., under which, as noted above, the Commissioner of Patents and Trademarks is appointed by the President with the advice and consent of the Senate. The Commissioner, though under the direction of the Secretary of Commerce, is given broad authority to superintend the affairs of the Office and to establish regulations not inconsistent with law. For 162 years the Commissioner carried out these functions successfully in an essentially autonomous manner and for another 14 years under only nominal control by the Secretary of Commerce.

The principal thing which distinguishes the PTO from most bureaus throughout the Government is its quasi-judicial authority, alluded to in detail in Commissioner Banner's letter. It is no more appropriate for the PTO to be part of a cabinet department than it would be for the Federal Trade Commission, the International Trade Commission, the National Labor Relations Board, or any of the other independent boards and commissions that adjudicate rights between members of the public.

I appreciate very much the opportunity to have testified and to supply these further comments with respect to S.2079. Please let me know if there is anything further I can do which would be helpful in securing its enactment.

Sincerely,

C. Marshall Dann

C. Marshall Dann

CMD:jmc
cc: Former Commissioners:
Conway P. Coe
Robert C. Watson
David L. Ladd
Edward J. Brenner
William E. Schuyler, Jr.
Robert Gottschalk
Donald W. Banner

Senator BAYH. Thank you very much, Mr. Dann. One quick question before moving on. Both of you gentlemen were involved in the problem with the Patent and Trademark Office's budget that I discussed with Mr. Wolek from the Commerce Department were you not?

Mr. DANN. I was there when the original Patent and Trademark Office budget was being worked up for the fiscal 1979 budget, but I was not there during most of the activities that you referred to.

Senator BAYH. Mr. Banner, you were there at that time, were you not?

Mr. BANNER. Yes.

Senator BAYH. Is my description of this problem accurate?

Mr. BANNER. Yes; that is my understanding.

Senator BAYH. I don't want to interrupt the testimony. It is sort of like asking a blind man to describe an elephant. It looks like the folks from Commerce had a hold of one end and I was looking at the other end because it didn't seem to me to be the same animal.

Mr. GOTTSCHALK. Thank you, Senator. I appreciate the opportunity to be here today and to express my support of S. 2079. I am happy to report that I have been asked by former Commissioners Conway P. Coe and Robert C. Watson to convey to the committee their approval of that legislation, also.

I have been engaged in the practice of patent and trademark law for over 45 years. It was my privilege to serve in the U.S. Patent Office from March 1970 through June 1973, first as Deputy Commissioner, and later as Commissioner of Patents.

Commissioner Dann has indicated that he took office in February of 1974. I think it worth noting, in passing, that this represents an 8-month vacancy in the Office of the Commissioner at that point in the history of the Patent Office. If my recollection is correct, during the past 10 years, the Office of the Commissioner has been vacant for a total period of 2 years.

In supporting S. 2079, I would first express my complete concurrence in the remarks, reports and observations expressed here this morning by Commissioner Banner and Commissioner Dann. Their experiences and reports are completely in accord with the experiences I had during my own tenure and are totally consistent with my observations since then. I believe that this proposed change to independent agency status for the Patent Office is not merely necessary and timely, but that it is urgently needed and long overdue.

Ever since I was registered to practice before the U.S. Patent Office in 1935, I have been intimately concerned with the operations of that office and with the role of the patent and trademark system in our national life. I would not consider myself, in terms of Dr. Wolek's testimony, an insider. I think it accurate and perhaps not immodest to say that I have had wide and varied experience in industry, in academia, and in Government with respect to patent and trademark matters. I do not feel that my own efforts in this field reflected a narrow or a myopic viewpoint. I do not believe that my efforts as Commissioner represented anything less than an attempt to establish the best possible working relationship between the U.S. Patent Office and the national interests to which it is dedicated.

It may be worth noting, too, in our review of the history of the Office, that the first patent issued by the United States of America was signed by our first President, George Washington, and by Secretary of State Thomas Jefferson, and Attorney General Edmund Randolph. We have indeed come a long way since then—but, sadly, not in all respects in the right direction. I think it is high time that we begin to reverse that downward trend, and I support S. 2079 as an imperatively necessary and significant contribution to that end.

I feel very deeply and strongly about the merit and importance of our patent and trademark system and about the Patent Office on which it so largely depends. I feel deeply and strongly that we must do everything in our power to make that system, and the Patent Office which supports it, as effective as possible. In this trying time, particularly, we have no other choice.

I am convinced that the deterioration of the Office in recent years does, in fact, stem largely from domination and control of the Office by the Department of Commerce which has deprived it of the opportunity to conduct its operations with dignity, dispatch and efficiency. I believe that it is high time that the Office be restored to status which befits the nature and importance of its mission, and that it be permitted to function with the efficiency and effectiveness of which it is capable.

It is the principal tool of Government to perform the vital constitutional function of promoting the progress of the useful arts. We can no longer afford to permit that system to stumble or falter. We dare not let it fail.

Several things are essential. Chief among these are, of course, adequate funding and stable and capable management. For many years, both of these have been lacking.

The consequences of inadequate funding are well known and they have been fully documented. It is entirely clear from the

history of the Office that this shortage of funding is directly related to the budgetary practices and restrictions imposed on the Patent Office by the Commerce Department. I believe it is absolutely essential to the solution of the fiscal and operating problems of the office that it be permitted to deal directly with the Office of Management and Budget and the Congress with respect to such matters.

I was, in fact, the last Commissioner to appear before any committee of the Congress with respect to budget matters affecting the operation of the Office. Even then, appearances and presentations on behalf of the Patent Office were strictly regimented and controlled by the Department of Commerce.

During my last such experience, there was no opportunity for me, although I appeared to testify. Instead, budget testimony with respect to the operations of the entire Science and Technology unit of the Department of Commerce was presented by the Assistant Secretary for Science and Technology. I was—as Commissioner Banner has indicated he was—essentially a bystander, notwithstanding my physical presence.

Reference has been made to the need for stability in management. This, I believe, is essential. Stability, as badly as we need it, has been woefully lacking. That has been made amply clear. The provisions of S. 2079 which provide for a fixed term of office for the Commissioner, and for removal of the Commissioner only by the President with the consent of the Senate should go far to provide the stability which the Office needs so badly and which it has lacked.

Such a change would be most welcome. In fact, the average tenure of a Commissioner in recent years has been shorter than the average time it takes a patent application to be processed through the Office.

Now, when we hear criticisms about the budgetary presentations of the Office, such as Secretary Wolek has made, this is the background against which they have to be viewed. Obviously, frequent changes of this kind are bound to breed inconsistencies and bring changes in viewpoints and programs, which make effective and consistent budgetary planning impossible of realization. Of course, such factors contribute to confusion of the budget processes we have heard described.

Unfortunately, the turnover in the Commissioner's office is only part of the story. For under the present arrangements, operations in the Patent Office are also adversely and substantially affected by turnover in various positions in the Department of Commerce.

In my own experience, for example, during the 3 years I was in the Office, there were—in addition, of course, to two Commissioners—three different Secretaries of Commerce; and there were four different Assistant Secretaries for Science and Technology, this being the official to which the Patent Office reports.

The results of such turnovers on efficiency and effectiveness are extremely bad. Not only is there recurrent dislocation and loss of continuity and momentum in Office programs, but there is also a serious deterioration of morale affecting every aspect of the operations of the Office. I have submitted to the committee a prepared statement in connection with this hearing and have appended to it,

to illustrate this point, two cartoons which appeared in an employee publication of the Patent Office.

The first reflects the understanding support of Patent Office employees of my efforts as Commissioner to deal with the myriad problems of the Office. The second reflects employee reaction to my abrupt dismissal by the then very newly appointed Assistant Secretary of Commerce for Science and Technology, Dr. Betsy Ancker-Johnson.

Under existing arrangements, the domination of the Office by personnel at even relatively low levels of the Department of Commerce can extend—and in my experience it has extended—well beyond such matters as the budget process. Bearing in mind the highly specialized nature of the professional activities of the Office, it may seem strange and yet it is fact, that its rules of practice cannot be changed without the approval of the Assistant Secretary for Science and Technology, nor can any patent or trademark legislation be proposed or commented on by the Office without such approval; nor can the Office initiate any appeal from decisions of the Court of Customs and Patent Appeals without such approval. Clearly, these are not such matters as scientists are normally familiar with.

To illustrate: I was at one point directed by an Acting Assistant Secretary for Science and Technology, who was not a lawyer, to seek Supreme Court reversal of a decision of the Court of Customs and Patent Appeals although such a course was contrary to the judgment of both myself and the General Counsel of the Department of Commerce. That appeal was not taken, I hasten to say; but the incident points up the element of meddlesome intervention which is implicit in the current arrangement.

And I would second the remarks expressed by Commissioner Dann with respect to the difficulties and delays encountered in effecting even relatively minor changes in internal organization of the Office because of the need for Department of Commerce involvement and approvals.

This entire subject has caused much concern over a period of many years to many people. I truly hope that, at this juncture and at long last, we can resolve the matter as proposed in S. 2079.

I think it is worth noting that, for such reasons as have been mentioned here this morning, Senators Hart and McClellan, among others in the Congress, have in the past proposed establishment of the Patent Office as an independent agency.

In June of 1973, Senator McClellan in this connection stated in a report to the Senate that:

> A chronic unsatisfactory relationship has existed between the Department of Commerce and the Patent Office, and that this contributed to frequent changes in the Office of the Commissioner of Patents and the instability in the administration and programs of the Office.

In September of 1973, Senator Hart held hearings on S. 1321, which specifically explored the question whether the Patent Office should be made an independent agency. At Senator Hart's request, I testified at those hearings and discussed in some detail various experiences and considerations indicating the desirability of doing so. Much of that testimony is, I believe, immediately relevant to the committee's present consideration of S. 2079, and I have accord-

ingly submitted a copy of that testimony with my prepared statement. For similar reasons, I also attached a copy of an address I made to the Licensing Executive Society in June 1974, discussing, among other matters relating to the patent system, the relationship between the Office and the Department of Commerce.

Both of those attachments represent substantially contemporaneous records of my own experiences and reactions with respect to situations concerning that relationship, and I trust that as such they may be of some assistance to the committee.

I have had no doubt—and it has been amply confirmed thus far this morning—that other former Commissioners have had experiences similar to my own. It strikes me as most significant that, on the basis of such experiences, all eight living former Commissioners have—without exception or qualification—reached the same conclusion on this question. I think it should be mentioned also that former Commissioners Ooms, Marzall, and Kingsland, now deceased, also had expressed their views to the same effect.

I appreciate the opportunity to have presented these remarks and my statement to the committee.

Thank you.

Senator BAYH. Thank you very much, Mr. Gottschalk.

[Prepared statement of Mr. Gottschalk, with attachments, and responses to written questions from Senator Bayh follow:]

STATEMENT OF ROBERT GOTTSCHALK

ON S. 2079

I am an attorney specializing in patent and trademark law, and have been actively engaged in this field of practice for over forty five years. It was my privilege to serve in the United States Patent Office from March 1970 through June 1973 - first as Deputy Commissioner, and later as Commissioner of Patents.

This statement is submitted to express my unqualified support and enthusiastic approval of the proposed legislation to establish the Patent and Trademark Office as an independent agency, S. 2079.

In my view, this change is not merely necessary and timely; it is urgently needed, and long overdue.

Ever since I was registered to practice before the Patent Office in 1935 I have been intimately concerned with its operations, and with the role of the patent and trademark system in our national life. The attached resume (Tab A) indicates generally my experience in industry, academia, and government, as well as in the practice of law, with respect to such matters.

I feel very deeply and strongly about the merit and importance of our patent and trademark system, and the Office upon which that system so largely depends. I share fully the concerns expressed in the Introductory Remarks to S. 2079, and in the many similar statements by leaders in government, industry and the law, with respect to the current state and growing problems of the Office.

In fact, I have often myself addressed those issues and concerns in a similar manner ... for I deplore the deterioration which has been under way in the Patent Office for so many years.

I am convinced that in no small measure this deterioration directly results from the facts that the Patent Office has been relegated to minor status in an obscure and neglected corner of the Department of Commerce; and that, by reason of its domination and control by that Department, it has been deprived of the opportunity to conduct its operations with dignity, dispatch and efficiency.

It is, I believe, high time that the Office be restored to the status befitting the nature and importance of its mission, and permitted to function with the efficiency and effectiveness of which it is capable.

It is the principal tool of government to perform the vital Constitutional function of "promoting the progress of the useful arts." There was never a time when its effective use was more sorely needed. We can no longer afford to let it stumble or falter. We dare not let it fail.

Several things are essential. Chief among these are adequate funding, and sound and stable management. For many years, both of these have been lacking.

Funding

The consequences of inadequate funding are well-known and fully documented, as the Introductory Remarks attest. It is, of course, entirely clear from the history of the Office over a period of many years

that this shortage of funding is directly related to the subordinate position of the Office in the Department of Commerce, and to the budgetary practices and restrictions imposed upon the Office by reason of that relationship.

Thus I believe it is absolutely essential to the solution of the fiscal problems of the Office that it be released from the shackles of its bondage, and permitted to deal directly with the Congress in such matters.

Stability in Management

Independence of the Office is also essential, I believe, to its efficient and effective management.

Stability is a prime requisite here, and it has been woefully lacking. The provisions of S. 2079 calling for a "fixed term of six years" for the Commissioner, who "shall be removable from office by the President with the consent of the Senate, only for good cause," would provide such stability.

Such a change would be welcome, indeed. In recent years, it has been pointed out, the average tenure of a Commissioner has been shorter than the average pendency time of a patent application being examined by the Office!

Unfortunately, turnover in the office of the Commissioner has been only part of the story - for in the present organizational arrangement, operations of the Office are also adversely affected by turnover in various positions in the Department of Commerce.

In my own experience, for example, during my three years in the Office, there were - in addition to two Commissioners - three different Secretaries of Commerce, and four different persons in the position of Assistant Secretary for Science and Technology; and the official in that last-mentioned position is the official charged with supervision of the Patent Office.

The results of such turnovers on efficiency and effectiveness are extremely bad. Not only is there recurrent dislocation with obvious losses in time and continuity, but also a deterioration of morale affecting every aspect of the operations of the Office. (See Tab B).

Domination and Interference

Under existing arrangements, the domination of the Office by personnel at even relatively low levels of the Department of Commerce can extend, and in my experience has extended, well beyond such matters as the budget process.

Bearing in mind the highly specialized nature of the professional activities of the Patent Office it may seem strange indeed - yet it is fact - that its Rules of Practice cannot be changed without the approval of the Assistant Secretary for Science and Technology of the Department of Commerce; nor can any patent or trademark legislation be proposed, or commented on, by the Office without such approval; nor can the Office initiate any appeal from decisions of the Court of Customs and Patent Appeals without such approval.

The limitations and pressures on the Office inherent in the present organizational arrangement are exemplified by an experience during my tenure as Commissioner: I was directed by an Acting Assistant Secretary for Science and Technology (who was not a lawyer) to appeal from a decision of the Court of Customs and Patent Appeals, contrary to the judgment of both the General Counsel of the Department of Commerce and myself. That appeal was not taken; but the incident points up the element of meddlesome intervention which is implicit in the current arrangement.

One further point must be mentioned in this general connection - the need to obtain Department of Commerce approval for the authorization of particular organizational arrangements within the Office, or the filling of particular positions already authorized and funded. In my experience as Commissioner, important positions at some of the highest levels of Office operation remained vacant for many months, despite repeated requests for approval action.

Earlier Recognition of the Problem ... and its Solution

For such reasons as I have mentioned, Senators Hart and McClellan, among others in the Congress, have proposed establishment of the Office as an independent agency. Senator McClellan, for example, in June of 1973, stated in a report to the Sentate that "a chronic unsatisfactory relationship ... has existed between the Department of Commerce and the Patent Office;" and that this "contributed to frequent changes in the office of the Commissioner of Patents and instability in the administration

and programs of the Office." In September of 1973, Senator Hart held hearings on S. 1321 which specifically explored the question whether the Patent Office should be made an independent agency.

At Senator Hart's request, I testified at those hearings, and discussed in some detail various experiences and observations pointing to the desirablity of establishing independent status for the Office. Much of that testimony is, I believe, immediately relevant to consideration of S. 2079, and I am accordingly attaching a copy of it. (Tab C).

For similar reasons, I am also attaching (Tab D) a copy of an address I made to the Licensing Executives Society in June 1974, discussing among other matters relating to the patent system, the relationship between the Office and the Department of Commerce.

Both of these attachments represent substantially contemporaneous records of my own experiences and reactions with respect to situations concerning that relationship, and I trust that, as such, they may be of some interest and assistance to the Committee.

I have no doubt that other former Commissioners have had similar experiences, for - without exception - all living former Commissioners have reached and expressed the same conclusion:

THE PATENT AND TRADEMARK OFFICE SHOULD BE ESTABLISHED AS AN INDEPENDENT AGENCY.

Respectfully submitted,

Robert Gottschalk

January 24, 1980

TAB A

ROBERT GOTTSCHALK

OFFICE
500 Skokie Boulevard
Northbrook, Illinois 60062
312/564-2690

HOME
183 Dickens Road
Northfield, Illinois 60093
312/446-2305

## PROFESSIONAL HISTORY

**Private Legal Practice**
1974 to date — Domestic and international patent, trademark and licensing law; consultant and expert witness in litigation.

**United States Patent and Trademark Office**
1970 - 1973 — Commissioner of Patents 1971 to 1973; Deputy Commissioner 1970 to 1971.

**GAF Corporation**
1965 - 1970 — Director of Patents

**Canteen Corporation**
1961 - 1964 — General Patent Counsel

**Standard Oil Company (Indiana)**
1946 - 1961 — Director of Contract and Legal Matters 1958 to 1961; Assistant Manager of Development and Patent Department 1946 to 1958.

**CPC International**
1941 - 1946 — Patent and Trademark Counsel

**Private Legal Practice**
1934 - 1941 — General practice of patent and trademark law.

## SPECIAL CONSULTING ACTIVITIES

**National Academy of Sciences**
1962 - 1967 — Chairman - Committee on Patent Policy

**National Research Council**
1948 - 1960 — Member - University Patent Policy Committee

**U. S. Government Patents Board**
1950 - 1955 — Consultant to Chairman

**Atomic Energy Commission**
1946 - 1947 — Consultant to Industrial Advisory Board

**White House Office of Telecommunications Policy**
1976 — Consultant to Chairman

**Iranian National Petrochemical Co.**
1976 — Consultant to Director General

## OTHER PROFESSIONAL ACTIVITIES

American Bar Association

Chairman of Committees on Government Patent Policy (1956), Atomic Energy (1946), and National Science Foundation (1946).

National Association of Manufacturers

Vice Chairman of Patents and Research Committee (1944 - 1949).

Chairman of Committees on Patent Law Revision (1946 - 1951) and Government Interests (1963 - 1964).

NAM witness at Congressional hearings on Kefauver-Celler Antitrust Drug Bill (1962) and NASA patent regulations (1962).

Patent Trademark and Copyright Journal

Advisory Board member (1974 to date).

Association for the Advancement of Invention and Innovation

Advisory Board member (1974 to date).

Lecturer on patent, licensing, antitrust and related matters at University of Chicago, Northwestern, and other law schools; Practicing Law Institute, Southwestern Legal Foundation and Illinois Institute of Continuing Legal Education; American Management Association and Institute of International Trade of the University of Illinois.

Author of articles in Journal of the Patent Office Society, Business Abroad, Encyclopedia of Patent Practice and Invention Management, Chemical and Engineering News, and other professional and business publications.

## GENERAL

EDUCATION — B. Eng. (E.E.) McGill University - 1931
LL.B. (cum laude) St. Lawrence University - 1934

BAR ADMISSIONS — New York, Illinois, District of Columbia;
U.S. Supreme Court, Court of Customs and Patent Appeals.

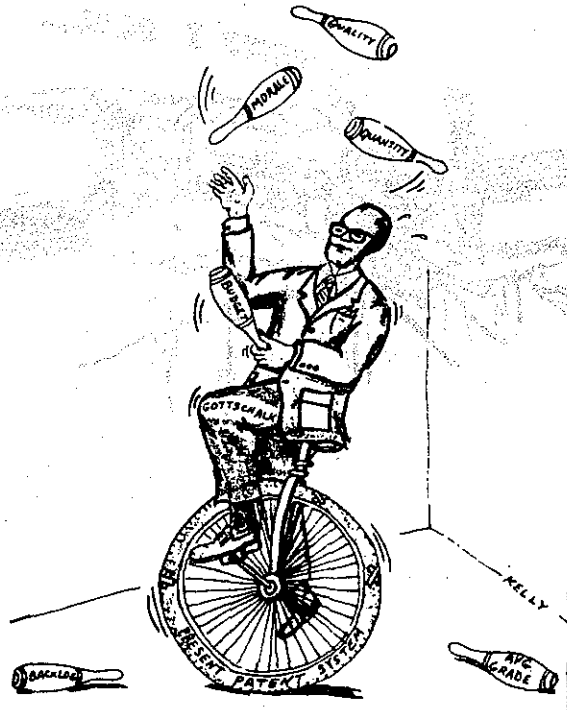
MEMBERSHIPS

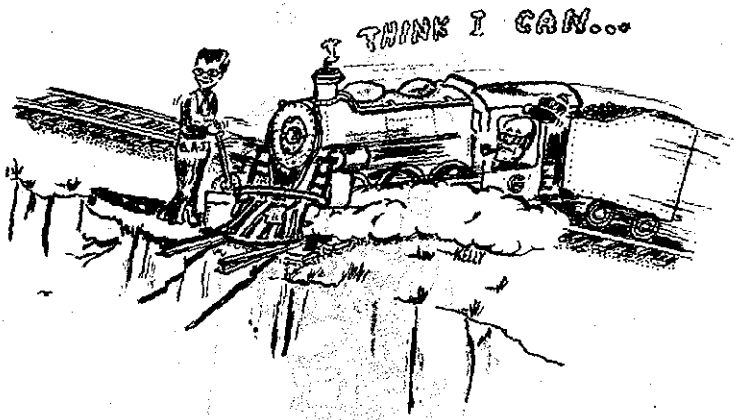
American Bar Association - Sections of Patent, Antitrust, International, Science and Technology and Corporate Law
Federal Bar Association
Patent Law Associations - American, Chicago and New York
Licensing Executives Society, Chemists Club (New York), National Lawyers Club (Washington, International Trade Club (Chicago), and Chicago Association of Commerce and Industry

TAB B

The two following cartoons appeared in a Patent Office Employees' publication.

The first reflects my efforts as Commissioner to deal with the myriad problems of the Office; the second, reaction to my abrupt dismissal by the then newly appointed Assistant Secretary for Science and Technology, Dr. Betsy Anker-Johnson.


QUALITY
MORALE
QUANTITY
BUDGET
GOTTSCHALK
KELLY
BACKLOG
PRESENT PATENT BACKLOG
AVG GRADE


I THINK I CAN...

TAB C

EXCERPT FROM HEARINGS

BEFORE THE

SUBCOMMITTEE ON

PATENTS, TRADEMARKS, AND COPYRIGHTS

OF THE

COMMITTEE ON THE JUDICIARY

UNITED STATES SENATE

NINETY-THIRD CONGRESS

FIRST SESSION,

ENTITLED,

"PATENT LAW REVISION"

ON SEPTEMBER 11, 12, AND 14, 1973

Senator HART. Let me make an addition at this point in the hearing schedule. The subcommittee has heard from several former Patent Office Commissioners and the Acting Commissioner currently. I became aware of Commissioner Gottschalk, the former Patent Commissioner, sitting in the audience and listening to testi-

Patent Office should be made an independent agency. That is a proposal that is contained in S. 1321. I think Commissioner Gottschalk is in a position to bring us first hand knowledge and private experience to that otherwise theoretical question of should we have an independent agency? And at my request he has agreed to appear this morning. I welcome him.

Mr. BRENNAN. Mr. Chairman, just a brief statement for the record. Both the counsel for the subcommittee and the counsel to the Minority Leader were available in their offices until 5:30 last evening. The first we were informed of this development was at 9 a.m. this morning. The well-established practice of the subcommittee has been to request witnesses to submit statements 24 hours in advance. The subcommittee staff has tried to cooperate with your staff on these hearings. I regret that we were not extended the same courtesy. Thank you Mr. Chairman.

Senator HART. I regret that that sequence of events occurred and will assume full responsibility for it. I did not determine until midday yesterday afternoon to invite the Commissioner. It never occurred to me it was a clear violation of the 24-hour rule, a rule very difficult to enforce in other committees, but a very desirable rule. Your comment I think is completely proper. My explanation does not change that. You should have been advised.

However, I felt it was desirable to call the Commissioner for two reasons: First, to get your reaction. Mr. Commissioner, generally, to the concept of the independent agency proposal, and, secondly, to ask of you a question that I asked of an earlier witness to react to trade press reports as to the circumstances and reasons for your resignation. As I understand the problem it relates directly to the independent agency proposal.

So let me ask first the question that I directed to the Commerce Committee witnesses and I hope I am almost reciting literally what I asked them.

It has been brought to my attention through trade press reports that Commissioner Gottschalk was fired without prior warning by the Assistant Secretary for Science and Technology for three reasons: Refusing to give special consideration to a particular patent application, advocating the many other reforms in S. 1321 to the displeasure of the organized patent bar, and arguing that since patent reform was so vitally needed, the administration should not risk the fate of 1971 and should sever the antitrust considerations from the patent reform considerations.

Would you describe, Commissioner, the circumstances that attended your resignation and specifically what your opinion is in respect to the accuracy of those reports?

## STATEMENT OF ROBERT GOTTSCHALK, FORMER COMMISSIONER, U.S. PATENT OFFICE

Mr. GOTTSCHALK. Senator, let me acknowledge your invitation and my willingness to appear. I hasten to explain that as you might anticipate, I have had mixed feelings about appearing as a witness in these hearings but felt that I had no choice in the light of your remarks yesterday followed by your invitation to testify.

I certainly must agree that your inquiries are directed to points which I would consider most relevant and undoubtedly important in arriving at appropriate solutions of the problems with which the committee is now concerned. If my participation in these hearings, and if drawing upon my past experiences can be helpful, then I would regard it as desirable to make myself and those experiences as fully available as possible. I would like not to be misunderstood in that. I was concerned—and I think understandably so—lest any voluntary approach on my part be misunderstood in the light of the developments to which some of your inquiries have been directed.

It might be appropriate to point out by way of general background that I spent approximately 3 years in the Patent Office.

I joined the Patent Office as Deputy Commissioner in the spring of 1970. I became Acting Commissioner on or about August 25th, 1971. I became Commissioner by recess appointment on January 4 of 1972. I was later confirmed by the Senate and, pursuant to Senate confirmation, reappointed. My resignation from the Patent Office and from Government service was effective June 29.

Part of what concerns us of course is your interest in determining the circumstances with respect to, and indeed the nature of, that resignation. I can describe the mechanics of what happened. I don't believe I am in position to answer in detail questions raised with respect to the three points you mentioned, for the reason that in truth, I do not know why I was fired. I think possibly that the references with respect to those points may have some basis in fact, but I would regard this—on grounds of reason and probability—as unlikely. I could be wrong. The fact remains that I do not understand and was never given any adequate explanation of the circumstances attending the request for my resignation.

I will, as best I can, outline the situation broadly. I must say that at the time I was appointed Commissioner I was greatly surprised, but I think possibly that the appointment was a direct response to the efforts which I had been making while Deputy Commissioner and Acting Commissioner. The point I would make there is that the then Secretary, Mr. Stans, had been very concerned about the internal state of the Patent Office and I knew that he was deeply interested in dealing effectively and promptly with many of the important problems with which the Office was struggling. I think it not unfair to characterize his approach as one of near-desperation, impatience, and perhaps even anger. I do know that there were tense moments between us; but I know too that as time went on, and as he became better acquainted with what was going on as I attempted to achieve his objectives, he became more optimistic about the resolution of those problems. What I am saying in short is that what had begun as a relatively antagonistic experience resulted in one of very close cooperation and, on the part of the Secretary, appreciation expressed many times for the "fine work" that I was doing in my role as Commissioner.

I seemed also to serve well and by all standards to satisfy the requirements that his successor, Mr. Peterson, imposed. We had an excellent relationship.

It was against that background that it came as a total surprise that the things that I was doing seemed so totally unacceptable. The

whole chain of events came as a "bolt from the blue" and indeed with no prior warning.

On April 19, well, let me go back a little bit further. The Secretary came aboard in January of 1973. Shortly thereafter, in the office of the then Acting Assistant Secretary for Science and Technology, I and other members of the Science and Technology units of the Department of Commerce, together with the Acting Assistant Secretary, provided briefings for the Secretary. Presentations of the various units of the Patent Office, the National Bureau of Standards and others, averaged about 15 to 20 minutes each, at most. As it happens, the presentation by the Patent Office, which I made, was the last. It was no longer than 20 minutes. It may well have been more like 15. At best it sketched in broadest outline the functions of the Patent Office, its staffing and funding situation, it physical facilities, and little else. At no time thereafter did I have with the Secretary any discussion relating to Patent Office affairs or problems. Indeed at no time thereafter, with the one exception to which I will refer later, did we ever have any discussion beyond the merest kind of social and casual contact, at receptions or matters of that sort. I assumed, perhaps incorrectly, that he was aware of and satisfied by what I was doing.

On April 19, as I recall the date, the present Assistant Secretary for Science and Technology was sworn in. On May 7, a Monday morning, I received at 8:30, a telephone call in which she requested that I appear at her office at 9 o'clock. I did. As I entered, she motioned me to a chair and proceeded to speak directly to the point. She said very briefly, in what I recall as approximately as three sentences, that she was aware that I had indeed been doing a very fine job; she recognized that I had made great strides, particularly in dealing with some of the people and personnel and policy problems of the office; and that I had made other strides forward as well—but that I had a fatal fault or flaw, and that as a result of that she felt constrained to ask for my resignation.

To say that I was stunned of course would be an understatement. I inquired as to the reasons for the request and I received no answer that I can repeat; none that I then thought I understood or could begin to accept, because at best there were the vaguest references only to such things as inability to get along with the top managers of the Patent Office. There was a vague reference to support for her position in that respect in an audit report, then presumably still in process of preparation by an audit team from the Department of Commerce, access to which I did not have at that time. So that as I heard the few words spoken in that connection, I had absolutely no way of knowing what she might have had in mind and indeed I was surprised by the reference for a still further reason—this represents a digression but I assure you a minor one, namely, the effort that was covered by that report was one that I had initiated some months before. I had requested that the Department of Commerce, working with specialists from the Civil Service Commission, provide assistance which I felt was needed. I had identified certain problems. I realized they were deep rooted and difficult to deal with. They were the kinds of problems which I suppose permeate many government

agencies, and I could not break through the bureaucratic redtape and built-in resistances to the point where I could accomplish the degree of improvement that I thought was necessary.

The request for expert assistance was intended to help solve these problems. I later found, when the report came to my attention, shortly before I left the office, that the report was prepared on a basis that reflected nothing of its genesis. It purported to identify to me the problems which I had identified in the first place in my request—the inference being that I had in fact been deficient in, presumably, failing to recognize the existence of these problems.

What I am suggesting is that that whole situation—with respect to the report and the study on which it was based—may be symptomatic of the fluff that surrounded whatever reality may have been responsible for the actual request for my resignation. The words I heard and the report itself seem artificial, contrived, and for the most part irrelevant.

I was not asked for a resignation on the spot. The request was that by the following Monday, May 14, I return with a draft letter or resignation. It was of course to be addressed to the President. It was stipulated that it was to be effective June 30.

The suggestion was made that I refer in it simply and generally to a desire to return to private life. The suggestion further was made that, in the meantime, I seek employment elsewhere. I explained in response that it was very difficult for me to cope with a situation I didn't understand, and it was very difficult for me to take seriously the suggestion that I seek employment while in government employ, and particularly so for the reason that I was facing the necessity to be in Vienna for the Vienna Diplomatic Conference from approximately the middle of May until the middle of June. To no avail. The request was insisted on, that I return the following Monday, May 14, with the draft letter of resignation.

I withdrew on that basis, pondered, and concluded that I could not submit a resignation under those circumstances. I did, in fact, prepare a letter explaining how I felt on that point and stating my position that I felt in any event my obligations to the patent community, and to the President who had appointed me, were such that I could not so resign without a full understanding.

I planned to meet with the Assistant Secretary on Monday, May 14, but could not do so because she was then en route to Washington from Seattle. And as it happened, the following day, May 15, was the last day on which I could possibly leave for Vienna and still get there in time to perform my function as head of our delegation, and meet with our people for 1 day in preparation for the formal opening of the conference the following day. So faced with the request that I have spoken of, faced with the time frame I have just indicated, and working against the background of the June 30 date which she had stipulated, I thought probably the best thing I could do would be to go over and get the things started at the conference, and deal with this problem later, having no doubt that I could. But not so. Tuesday morning in telephone conversations, the message came to me. I would use the words of that message rather exactly at this point: This memorandum came to me addressed to Commis-

sioner from Mickey Jo, one of the secretaries in the office, dated May 15. The content:

Helen Snyder from Dr. Anker Johnson's office called at 8:50 o'clock to say that they had been left a note by Dr. Anker Johnson to be transmitted to you as follows: "Mr. Gottschalk is not to leave the country without seeing Dr. Anker Johnson. Please be sure that he understands this." Dr. Anker Johnson is at NBS this morning at a symposium and Ms. Snyder says if you get in touch with her there, it would probably be best to call Dr. Roberts' office.

Well, I tried, indeed I tried, to reach her. Eventually there was a break in the symposium, and I spoke with the Assistant Secretary for approximately 3 to 5 minutes on the telephone. She was very insistent that I would not be permitted to leave the country without having submitted the resignation that she requested. I pointed out that she was putting me to a choice, and that I felt constrained to fulfill my obligations with respect to the treaty—that on the one hand, and my job on the other. She insisted that, treaty or no treaty, she was determined that my resignation be handed in that day. I felt that, as a practical matter, I had no choice but to submit the resignation that was requested and I did, under exactly those circumstances.

You have referred to trade press reports. There was one column which recited briefly and essentially accurately the substance of what I have just related with respect to the specific mechanics of that request.

I turn back to the Friday afternoon of the week of May 7 to report that late that Friday afternoon at approximately 5:30 p.m. I succeeded for the first time in meeting with the Secretary. I told him what happened. He listened with no visible reaction, made no comment, and when I concluded my statement, stated simply that since the Assistant Secretary had responsibility for the operation of the Patent Office, he had no choice but to sustain her decision as a proper exercise of her authority. That is all that I can really tell you about how. It's practically all I can tell you about why.

Now I must say that I do favor some legislative clarification of the patent antitrust questions concerned with licensing. I must say also that I think it rather important that there be early enactment of patent legislation. I had suggested—but only in the course of what I would consider appropriate conference discussion within the executive branch—the view I held, that the early enactment of patent legislation was of such importance that, in my opinion at least, it should not be delayed by insisting upon the enactment at the same time of legislation dealing with these licensing questions. So far as I know that was never taken to be an objectional utterance. As far as I can recall, no criticism of that approach was expressed, then or later.

Now I have spoken to one question you have raised. It obviously has a bearing on my feelings and views with respect to the other, the status of the Patent Office as an independent agency.

Senator HART. Well, let me interrupt you here if I may, Commissioner. In part this is a reaction to Mr. Brennan's appropriate statement. The subcommittee has authorized these hearings in order to get reactions specifically to five points in the reform proposal. One

of those points in the desirability of a restructuring of the Patent Office and should it be an independent agency? My conscience is clear to the extent that we are authorized to take testimony, including the experience you related, as it bears on that one item and that is the independent agency question. The hearings were not authorized to investigate the circumstances of your dismissal.

So, I welcome your turning now to the general observations that you will make with respect to the provisions for an independent office and I think all of us would understand that your general observations necessarily are colored by the circumstances that you have just described.

Mr. GOTTSCHALK. Thank you, Senator. I turn now to matters that are a little easier for me to discuss.

I think I must say that the Patent System which is of great concern to us all, has been my life work for more than 40 years. I believe in our patent system. I have said many times that I think it is sound in principle, morally right and extremely important. I am totally dedicated to it because I believe it does for this country what we need to have done. I think it is not doing it as well as it should. I am very anxious and concerned to improve it. This has been the thrust of my activities in the Patent Office.

I am very much in sympathy with the drive to accomplish, at long last, some of the things that we have begun, increasingly, to recognize as necessary and important. In my own work in the Patent office I have tried to act accordingly to my own conviction that there is a need to ventilate and to make more effective, the entire patent examining procedure. We have made a start, within the limits of time and in the absence of legislation, toward the interpartes proceeding. We have initiated efforts that concern completeness of file wrapper, to break down the barriers of secrecy that properly and understandably infuriate and puzzle so many. What I am saying is that as we approach patent legislation, I find it a source of gratification that we can anticipate the early reporting of a patent bill long overdue and much needed.

I believe in the importance of improving the system. I think that legislation is required. I am enthusiastic about the prospects of having a better patent system based on better legislation.

But before I address myself directly to the matter of the independent agency, Senator, I think that there is a preliminary question that needs to be considered. I think we have to recognize that the difficulties experienced with the patent system, with which we are all familiar, and which we are trying to correct, are not to be attributed—certainly not in their totality—to shortcomings in our present legislative structure. And by the same sign, I think it would be quite a mistake to suppose that by the enactment of appropriate patent legislation these difficulties would necessarily be resolved. Not so. Something more—something far more basic—is required.

As I view it, that something is good administration—stability, the ability to do the job, to do it well, and to do it consistently. One of the things that Senator McClellan commented on in his remarks introducing S. 1957 was the fact that during his tenure as chairman of this subcommittee there had been five Commissioners of Patents;

and he was concerned, quite properly about the high turnover and the short tenure with respect to the Commissioners'position. In my 3 years in the Patent Office there were of course two Commissioners—but there were three Secretaries, and there were four people in the position of Assistant Secretary for Science and Technology.

Senator HART. Over what period?

Mr. GOTTSCHALK. Three years. With every change in personnel, with every change in policy, in the Department of Commerce, shock waves permeated and had their impact on the Patent Office. We had to react to the new personalities. We had to react to the new programs. We had to participate in a different way and about different things.

So against that factual background, which indicates the general instability of the situation, I would turn to this matter of administration, which I consider to be absolutely vital, and which I think is inadequately understood and appreciated and all too often overlooked.

I was very gratified, earlier in the course of these proceedings, to note the committee's sensitivity in these very areas. The inquiries appropriately directed to such things as the quota system, for example, are not within the five points listed, but bear most importantly on the very essence of what the patent examining function is all about. There can be no mistake about it, the patent examining function is the raison d'etre of the Patent Office, and the Patent Office is the very heart of the patent system.

As a matter of administrative efficiency, I think we would all agree that good communications are very important. In that connection, I was interested to note the sensitivity and the insight of the committee as reflected by its interest in probing the disparities which seemed to appear between the views taken by the management of the Patent Office and the Department of Commerce on the one hand, and the Patent Office examiners themselves on the other. I felt, and perhaps others did, that that was rather significant. It pointed up something I have experienced, and that is the compartmentalization of thought and of action in the Patent Office in every respect—the preoccupation with self and one's own functions, the inability to see the large picture, and to understand the goals and to cooperate in the accomplishment of the Patent Office mission. It is these precise things to which I have been directing during my tenure my primary attention. These are the things in which I have been placing primary emphasis. It is most important to understand that when you ask questions having to do with the existence or nonexistence of a quota system and try, as apparently you did Senator, for 2 days and fail to get a satisfactory response, it is indicative of a situation which applies to more questions than just the one then under consideration.

The Patent Office is a wonderful institution. It is hard for me to put in words the feeling as well as the regard I have for it and what it has meant to this country. Perhaps that is the reason that I am so very disturbed, as I have been from time to time, by the seeming indifference or the seeming opaqueness of individuals who play important roles in what it does, who are all too often inclined to

think of themselves as performers of daily tasks rather than as people contributing importantly to the achievement of national goals. One of the lines that I have used repeatedly in my efforts to reach the employees of the Office has been that we are not to think of ourselves as laying bricks but as building a cathedral.

Now there have been remarkable changes in personnel attitudes and in morale and this has been very important in achieving the kind of administration on which the successful operation of a Patent Office depends. I would be the last to discount and the first to praise the importance of the professional input at the Patent Office. But it is a fact of life that the professionals' tasks cannot be well performed unless the support functions are carried out adequately. It is rather ridiculous to expect the public to have confidence in a Patent Office which can't deliver documents as promised, which have been ordered and paid for—which purports to issue patents on a certain day, and which cannot make copies of them available for weeks after their official date of issue—an office in which files are lost, literally, so that they cannot become available for the further processing of the claims that are so important to the applicants who filed them. It was a Patent Office of that kind which I encountered, and it was to overcome difficulties of those and many other kinds to which I directed my efforts. It is against that kind of background that I speak with feeling to the matter of the importance of administration.

It seems to me—I might say that these remarks from which I will read in an attempt to conserve the time of the committee at this point were prepared in a totally personal and totally different context and they have no relationship to the totally unanticipated appearance I am making before this committee this morning. But it seemed to me that what I said then is what I would in any event say to this committee now.

I was saying that we need to look beyond legislation to good administration. At the very least, I would say this requires close, critical, and continuing scrutiny of, first, the tools, the skill, and the procedures employed in the operations of the Patent Office; second, the criteria used to measure product quality and examiner performance; and third, the motivational and the attitudinal factors affecting performance of the professional and support personnel. Such review must be supplemented by appropriate remedial action; and the process of review and improvement must be pursued relentlessly. Some progress along these lines has been made, but much more remains to be done if the integrity and effectiveness of any form of patent examination process is to be insured.

Consider, as an example, the admittedly unacceptable state of the critically important Patent Office search files. Now, it is extremely important to recall that the search files in the U.S. Patent Office are unique. This is the only place in the country where classified files which permit an effective and efficient search can be found. Files exist elsewhere but they are not comparable in scope or in arrangement or in effectiveness. A peculiar responsibility rests upon the Patent Office therefore to insure the completeness, the integrity, and the effectiveness of those files.

The programs which were recently instituted—and I mean within the last 2 years—to check the integrity, that is the completeness of the files and to correct their deficiencies, represent the first such efforts in 25 years. Now there has been a lot of discussion of legislation in the last 25 years, but precious little consideration of so vital an issue as that.

Similarly the revitalization of the reclassification effort in respect to these files, which I started early in 1972, was long overdue. Its completion will require several years of sustained and substantial effort.

Now earlier reference has been made in the course of these hearings to the matter of classification. Let me add one thought that I think has not been expressed. As technology develops rapidly in the areas that are currently of greatest importance, there is an increased output, at a greater rate, of new technical information. Unless the inflow of new technical information at the Patent Office is classified promptly and effectively, it becomes increasingly difficult to make the kind of efficient and effective search on which a good patent examination depends. Now it was a little while before I realized, after I had entered the Patent Office, that the work of maintaining this ongoing and highly important reclassification effort had been abandoned virtually completely. The result was that the examiners were, day by day and week by week, in a deteriorating position with respect to the performance of their mission. The funds appropriated for that purpose in the normal course were, as we say, reprogramed in order to sustain a research and development effort aimed at developing a computerized system for performing the essential work of classifying new technical information.

I suppose I might be permitted a digression at this point to go back and say that one of the factors contributing to the request for my resignation might well have been the fact that in trying to remedy problems of this kind I probably made few friends and most certainly must have made some enemies. There were people who were deeply committed to these projects and who failed, I think, to share my view that some of them had to be reconsidered.

This matter of computerized reclassification is certainly a case in point. I found it was essential in order to preserve the effectiveness of the Patent Office—to prevent the patent examining function in my judgment from going down the drain—to abandon that, and to revitalize this "manual," as we call it, classification effort. In the process I had to relieve from his position (and to eliminate the position) one person in the office who at the time held the title of an Assistant Commissioner. That caused him great pain and discomfort. In time I also suffered considerable pain and discomfort, and also some annoyance, and diversion of a very substantial amount of time in responding to letters from many sources including members of the Congress protesting on his behalf——

Mr. BRENNAN. Mr. Chairman, I feel compelled to request you to request the witness to direct his comments to the issues which are relevant to this proceeding. I think we are going far afield here.

Mr. GOTTSCHALK. I'm sorry.

Senator HART. Yes sir.

Mr. GOTTSCHALK. Thank you. I appreciate that.

In any event, unless these basic tools, through continuing efforts to maintain them up-to-date and in good working order, are brought to and maintained in a condition permitting effective and efficient examination, nobody, under any system—not the examiner, nor the public counsel nor anyone else—will be able to make reliable and meaningful determinations of novelty. And such determinations are the very bedrock on which all aspects of our system depend.

Similarly, if the rules of the game by which patent examiners work, and if the criteria by which their performance is judged and their promotions and salary increases are awarded, are such as to favor quantity of production over quality of work product, concepts of professionalism and quality will be subjected to a compromising strain which poses a constant and substantial threat to the proper performance of the Patent Office mission. That kind of a system provides powerful incentives to do the wrong things rather than the right things.

I would say, on the basis of my own experience and in terms of such basic administrative matters as those to which I have referred, that strength of administration, stability of administration, and soundness of administration can best be insured in a situation which would make the Patent Office independent of the Commerce Department.

Now Mr. Browne traced very accurately and interestingly yesterday the history of the Patent Office, and this committee has been informed that there is no evidence that the Patent Office at any time has been subjected to any improper influence in the performance of its mission. I feel constrained to deny this for, on the basis of my experience, I know this not to be so. I accept as valid the observation that there has been over the years an apparent inability of the Department of Commerce to develop and maintain an effective working relationship with the Patent Office, and I don't think that we can anticipate any significant improvement in this kind of relationship if the formal structure were to remain as it is—and that seems to have been the position proposed by the administration yesterday.

Now that position rests largely on the basis of the Commerce Department being able to provide administrative and similar support, which the Patent Office would have to provide for itself if it were independent. Fine. That argument has merit as far as it goes, but there is another side of the story, too. And that is, that because of the family relationship there are corresponding burdens. I have already indicated that with every shift in the administration or in administration policy, the burdens of the Patent Office are enhanced.

There is another aspect to this thing that bothers me very considerably. I don't think many people, inside or outside of the Patent Office, are aware that regularly substantial sums of money appropriated for the Patent Office are siphoned off for other uses within the Department of Commerce. That is bad enough, but I think that the seriousness of that threat is underscored by a very recent development. This year for the first time—I think this is not inappropriate for disclosure for the purposes of this committee and I hope I am

right. Senator—this year the Patent Office funding request was not presented individually as it traditionally has been; it was consolidated with the requests of the other units of the Science and Technology wing of the Department of Commerce and a single appropriation request for that group of five units was made. Which is to say, if this is projected into the future, that there probably cannot be said to exist such a thing as a Patent Office appropriation. This means that the purse control of the Patent Office is on a totally different basis than it historically has been. And when you consider the fact that the Office is under—as I have already indicated my experience confirms—the control of someone whose interests are not basically and primarily oriented to the Patent system but to other things, such as science and technology, this has rather interesting implications. I could easily substantiate in time, by examples, the fact that this inherent possibility is indeed a reality. It could become increasingly a problem.

Mr. Browne pointed to the strange dichotomy by which the Presidential appointee who heads the Patent Office is subject to review by the Judiciary Committee, whereas that person's superior, to whom he must indeed respond, and with those directives he must indeed comply, is subject to review by a totally different group. And it was rather interesting I thought, in this connection, that during the confirmation hearings of the incumbent Assistant Secretary for Science and Technology Senator Tunney pointed rather perceptively to the fact that, while the incumbent Assistant Secretary was to be highly commended on the grounds of scientific prowess, there was very little in the record to suggest any background of dealing effectively with administrative matters, legal and patent matters, and things of that sort. It is a matter of grave concern that an agency of over 2,700 people, and, as you have heard, over 1,100 professionals should be subject to the influence of someone who has had relatively little occasion to become acquainted with the barest fundamentals of what is involved—either in terms of the specific functions or the management skills involved in that kind of an operation.

Now I do believe that the matter of improper or undue influence is not just confined to the last 2 years or so; it has, however, been very strikingly in evidence. I speak again to one of the three points you mentioned earlier. There was not, so far as I can recall, any situation directly involved in the terms which you used—and I can't recall them exactly Senator—in connection with picking out a particular application and dealing with it, as it were, out of turn. There was not that kind of a situation, but there was something that I think is not too different from it in basic principle. I can't particularize at this point because the specific matter is still pending, and under our law the facts relating to that situation must be preserved in confidence. But the fact of the matter is that the Commissioner was directed to follow a certain course of judicial action contrary to the determination that he and the general counsel agreed was sound. That seemed to me a bit much. By the same sign, I think——

Senator HART. But as you indicated, it is almost inherent in the structure as we now have it, which to me argues persuasively for the desirability for an independent agency.

Mr. GOTTSCHALK. Precisely. There has been such an absence of specific knowledge about these things as to encourage bland acceptance of the generalized statements that this doesn't exist. I confirm to you in rather positive terms and very specifically that it does, and it is not new.

You will recall that Mr. Browne mentioned the name of Assistant Secretary Holloman yesterday—and that was back a few years, but there again the same basic structure existed. A good deal of influence was brought to bear.

Now at this point I think I should mention specifically that in my judgment the Administration bill, so far as the language of it is quoted in their statement, does not go far enough. Their proposal in essence was, as I understand it, that the Patent Office remain where it is, but that legislation be enacted to insure that the Patent Office would enjoy independence of the Department of Commerce with respect to its "adjudicatory function." Well, I submit that that is not enough, because that would leave the Patent Office subject to the influence of the Department of Commerce with respect to matters of general policy, legislation, treaty arrangements and the like—and it was indeed a matter within that general category with which I most associate the experience of some years ago to which Mr. Browne referred. So we can't look to that language as providing an adequate safeguard, even if for other reasons we were to accept the views of the administration that the Patent Office ought to stay put.

I agree with you, as I understand your position, Senator, that an independent agency is strongly indicated.

Senator HART. Commissioner, thank you very much. I think your testimony does bear strongly on the desirability of an independent agency because I think inherent in this structure will be the recurrence of both lack of continuity and the competing claims. Whereas with an independent office perhaps the tendency there and the criticism then would be that it would overstress the importance of patents and their role, but at least they would be preoccupied with patents. I am grateful that on such short notice you have been willing to come in and give us the benefit of your experience and opinion. Again, thank you.

Mr. BRENNAN. What is your position, Commissioner, on the proposed Office of Public Counsel?

Mr. GOTTSCHALK. I would say this, Mr. Brennan, it is a little difficult for me to answer as clearly as I should like for these reasons. I am clear that I would not be in favor of the public counsel functions as proposed in S. 1321. I think some limitation and refinement and sharper focusing would make that more effective. I am totally committed to the idea that some representation of the public interest, and some broadening of legal approach within the Patent Office, are necessary. It is a little difficult for me to speak to the administration bill because, as you must be aware, I don't know what it is. I know about the administration position only what we have been able to learn from the remarks of Mr. Kauper and Mr. Bakke. I have a strong feeling that there is a better likelihood by far that I would agree with those positions dealing with the public counsel than I would with those of S. 1321.

I feel this, too. The Advisory Council which is provided for in S. 1321, and which has not been much discussed in the course of these hearings, seems to me potentially very important. I would strongly favor such an arrangement concerning the public counsel as would make it possible for him—nay would require him—to provide effective input to the Advisory Council. I would not go so far as to say he ought to be constituted in any specific capacity such as executive, secretary or official birddog, but he ought to be the eyes and ears of that committee. It ought to be made clear by the legislation that he is to have complete access to any information within the Patent Office. I tend to shy away from any concept of the role of public counsel, however, which would get him too deeply involved in representing the interests of private parties.

I can't help but deal also with the matter of adversary proceedings to some extent because I think they and the role of public counsel are very closely related. I do feel that if adversary proceedings are initiated in any form, this is an area of activity which ought to be of special concern to the public counsel—not necessarily in the role of an advocate, or even as a participant, but from the standpoint of exercising close and continuing supervision to insure that that important—and for us new and untried—experience develops properly, to insure that the system is improved in the way that we would hope, from the adoption of such proceedings. Here again, the way in which he would perform what functions would have to be determined by what kind of adversary proceedings we adopt.

May I speak to that issue very briefly?

Mr. BRENNAN. Yes, but please be brief, we are running a little late.

Mr. GOTTSCHALK. I appreciate that Mr. Brennan, and the opportunity to speak to the issues at all.

I would not favor the form of adversary proceedings that are set forth in S. 1321. I more incline to the administration's view, but with reservations. There are two basic routes which they propose. I feel that the first offers too little, for the reason expressed this morning by Mr. Clark, that is, that people will not come forward with prior art unless they are, really confident that it will be applied properly. As to the second, I am afraid that this alternative provides too much, and that it would open up the continuing kind of litigation which has characterized the German opposition proceedings which we view with horror. I am not sure that the antitrust approach suggested by Mr. Kauper would be adequate to control this.

I do favor something more like the idea which had its genesis in the Patent Office proposal which was published some time ago.

Mr. NASH. No questions.

Senator HART. Thank you. That last answer reminds us how tough it is to move from agreement on what generally is desirable to how in the world you get there.

Mr. GOTTSCHALK. Senator, it is actually again the same point we were making earlier; administration and implementation are interchangeable sometimes.

Senator HART. Thank you.

TAB D

LES NOUVELLES - JUNE, 1974

**"BEHIND THE LEGISLATIVE SCENE — HOW WE GOT WHERE WE ARE"**

*delivered at the LES Meeting at Chicago on 4/19/74*
*by*
*Robert Gottschalk**

*The Honorable Robert Gottschalk, former U.S. Commissioner of Patents.*

I am really very glad to be here, in spite of the hour, and am grateful for many things — among others, your warm welcome, and also the yellow ribbon on my badge that says "Speaker." At this time of day, I find that very reassuring.

Jim Wetzel said I'd speak quickly. You bet I will! To cover even the highlights of my assignment for this morning, I'll really have to run — or, as we say nowadays, streak. Which brings to mind a tale I heard at lunch yesterday about a streaker who was arrested in the House of Representatives of Hawaii. As they carried him out, this fellow shouted "I am the streaker of the House!"

The definition of the status quo as "the awful mess we're in" certainly applies to the situation we're looking at this morning. Of course, it's not the only mess around. The story is going the rounds in Washington — and I'm not sure it's apocryphal — that one of our top-flight government economists was asked whether he thought he could unscramble the current economic mess. He's supposed to have said: "Well, maybe — maybe if I were God, and if I had a computer."

Many of us concerned with patents and licensing are often inclined — and for good reason — to see our own problems in much the same light.

How did our good, simple, nicely working patent and licensing system end up in such a mess? You can't just say we were unlucky. A lot more was involved than that. I think it is most essential to identify at least the major factors involved. For we must understand not only where we are, but also where we've been and how we got there, if we are to plan intelligently for the future.

There are, as I see it, two principal areas to consider. One concerns the matter of people and organizations, and their attitudes and their beliefs. The other concerns the matter of events. I will try to paint for you this morning very broadly the picture as I see it, with respect to each of these.

For what it's worth, I think that the matter of attitudes and beliefs is basically responsible for most of the trouble we've been experiencing.

In this regard, I might say, there is clearly enough blame, in my judgment, to go around. Government in general, the Patent Office, the Patent Bar, the Department of Justice, the courts, Congress, industry, the media, the public . . . everybody's involved, and everybody's responsible. Let's consider these seriatim, and in so doing I hope you will understand that I don't mean to be negative, but I think we do have to look at these things both individually and also in terms of their inter-relationship and cumulative effect.

As to Government, I would ask you how many Governmental institutions and operations you're satisfied with? How many do you think would rate high marks in anybody's book? Unfortunately, the fact is that the patent system in large part must be regarded as a Governmental operation. It involves all three branches of our Government — the Congress, the Courts, and the Executive.

Certainly, Governmental operations have amply earned the reputation of being inefficient. Why do people generally hold so much of Government and its works in such low

esteem?

Well, for one thing, there is in our Government's Executive Branch a tremendous turnover of top-level personnel. In a recent study it was revealed that at the top levels of Secretary, Under Secretary and Assistant Secretary — where the major part of policy planning and implementation is carried out — more than half of the Under Secretaries and Assistant Secretaries left their posts in less than two years.

Closer to home, in the Commerce Department, approximately one-third of its top-level officials quit in less than twelve months, and nearly 40% left sometime during their second year!

During my own three years in the Patent Office, we had of course 2 Commissioners; we also had 3 different Secretaries, and 4 different persons in the position of Assistant Secretary for Science and Technology. And that's the position which, as you will recall, is responsible for among other things supervision of the Patent Office.

Now in spite of having been personally close to one part of that picture, such statistics really shake me!

The fact is that with such rates of turnover, appointees don't learn enough in their brief sojourns on the job to make the decisions expected of them. Programs lack stability, long-term planning gives way to the "quick-fix" and responsibility drowns in a sea of alibis, promises and "buck-passing". For such reasons among others, it seems to take forever to get anything done. Now as far as the Patent Office is concerned, I think we are making some progress and I am happy to report that the "voluntary protest" proceeding which I evolved and which was published many months ago will (with luck, and if the schedule holds) begin to be implemented in July — but this is almost two years after its inception. Another example: quality control within the Patent Office is a matter of great importance because, as you know, the presumption of validity is basic in our structure. The Patent Office has been sharply criticized for failure to monitor quality more closely, and confidence in the patent system has suffered on this account. Many of the legislative "cure-alls" which have been proposed from time to time have had their genesis in this situation.

To deal with this problem, a quality control procedure — which was designed with infinite care, and with participation by practically all concerned elements of the Patent Office staff — was developed about two years ago. But only now is there a prospect that it will soon be adopted.

One further example: More than two years ago I sent to the White House recommendations for the filling of four vacancies on the Board of Appeals. Those vacancies remain unfilled.

Yes, it seems to take Government literally forever to get anything done — even when the course to follow is clear. It's like building superhighways that are out of date before they open.

Now money may not be the only factor involved in the motivation of people — but it's certainly important. So, it's worth noting that the Civil Service pay scale poses problems. In the Patent Office, for example, there are no less than 50 people — and perhaps as many as 100 — who are today paid the same salary as the Commissioner. Such a salary "scale" has much the same effect on efficiency as the high turnover rate at the top level to which I have referred. Neither of these would be tolerated for a minute in private industry. And there is also importantly involved in all of this what I would call the "civil service mentality". There are of course many and notable exceptions — but, by and large, civil servants seem to have a general tendency to be program-oriented rather than result-oriented. They go through the motions of an honest day's work — but if the motions are merely circular that bothers them not too much.

Nor can we assume that such attitudes and practices are confined to the lower echelons of Government. For example, in the January issue of *Fortune*, in comments on the Washington scene, we read this:

> "Cabinet officers seem to consider it an accomplishment when "option papers" reach the White House on schedule; what happens after that doesn't seem to concern them very much."

Here again, this is something which private industry could scarcely tolerate — but in Government it is hardly surprising. For in Government, as I have suggested, results are indeed hard to come by; and anybody in Government who is result oriented is very likely to be very frustrated very soon. And obviously that doesn't help efficiency, either.

These remarks may suggest to you that I place great importance on such matters as morale, motivation and administration as affecting the problems we are concerned with, and I certainly do. In my view such matters have not received, at least in the Patent Office, nearly enough appropriate attention. And over the years we have paid a very heavy penalty in inefficiency as the result of such inadequacies.

Problems in this area have been compounded by the unfortunate fact that the patent system and the Patent Office have been treated, perhaps mistreated would be a better way to put it, as stepchildren of the Government family. There is currently under consideration, for example, the question of whether the patent system should be subject to supervision by the Commerce Committee, the Judiciary Committee or the Science Committees of the Congress. And all too often, important patent legislation doesn't even get considered by the appropriate committee. A notable case in point concerns the compulsory license provisions of the Clear Air Act, which were never referred to the Patent Subcommittee of which Senator McClellan is Chairman.

And speaking of mistreated stepchildren, we must not fail to note also the peculiarly regrettable relationship which for a long time has existed between the Commerce Department and the Patent Office which it has been ostensibly supervising and assisting. Thus, Senator McClellan, in June of 1973, critically reported to the Senate that "a chronic unsatisfactory relationship . . . has existed between the Department of Commerce and the Patent Office." He pointed out that this "contributed to frequent changes in the Office of the Commissioner of Patents and instability in the administration and programs of the Office." He referred to the "apparent inability of the Department of Commerce to develop and maintain an effective working relationship with the Patent Office" and proposed legislation to provide greater stature and more freedom for the Patent Office.

Clearly, much of our present mess has its roots deep in the nature and history of Government and Governmental practices in general, and in shortcomings of both the Department of Commerce and the Patent Office itself.

How about the Patent Bar? A distinguished member of the group in this room this morning wrote to me several months ago and said, among other things:

> "My own feeling is that the patent profession — with no forward thinking, no self-policing and no effective spokesman — is the major cause of the decline and creates the opportunity or not for antitrust (meaning the Department of Justice) to work on."

I am not so sure that that misses the mark. In many respects, I believe soul-searching would reveal to us that we in the patent profession are traditionally guilty of tunnel-vision; that we are resistant to criticism, and reluctant to change; and that we have great difficulty in arriving at a consensus. This last point was dramatically demonstrated by the testimony at the Senate last September in connection with Senator Hart's Bill S.1321. On principal issues such as adversary proceedings, maintenance fees, deferred examinations, independent agencies, and the like, views and recommendations were as scattered and varied as anyone could imagine.

Well, absent a clear voice speaking for the profession, and absent the ability of the profession to agree on programs, negativism takes over, and very little gets done. After a certain amount of that, and as public impatience increases, somebody outside our profession who doesn't know our problems, doesn't understand our problems, and doesn't really know the situation, decides to move and then offers his proposals. Then, of course, we as professionals shoot them down!

So the only word that the public gets from us — the only word that the Congress gets from us — is critical and negative. In just this way, we have earned, you see, the reputation of being wholly reactionary and obstructionist, to the point where Congressman Owens, for example, speaks of "massive resistance to change by the organized patent bar".

The fact that charges of fraud are so frequently and carelessly raised by patent lawyers can hardly be thought of as helpful — particularly at a time when the patent system needs all the support and help it can get. On the contrary, such practices often fuel the fires of criticism. Congressman Owens, for example, in introducing his counterpart of Senator Hart's Patent Reform Bill, flatly stated that "the candor and good faith of the applicants and their counsel are not always all that they should be."

Lack of candor and good faith cannot be condoned. But neither can the indiscriminate and routine levelling of such charges!

Yes, part of the reason we're in such a mess is that many of us — in just such ways as these — have been fouling our own nest.

By doing things we should not do, and by failing to do things we should do, we of the patent bar who ought to be part of the solution, have made ourselves part of the problem.

Well, how about the Justice Department? I must say that despite my high regard and great respect for many of the fine lawyers of this Department whom I have known and worked with, many of their views, in my judgment, are not entirely sound. They seem to me to suffer from what Judge Jerome Frank, of the Second Circuit Court of appeals, once characterized as "monopoly phobia".

For whatever reason or reasons, their attitude toward patents seems to be one of jealousy, fear and suspicion. They are very conscious, for example, that the Patent Office budget is more than twice as large as the sum of the budgets of the Antitrust Division and the Federal Trade Commission.

Moreover, they seem to be smitten, as are many others, by the fact that a high percentage — 50% or more — of litigated patents are held invalid. Because they do not truly understand the meaning of such figures and project them into a massive indictment of *all* our issued patents, they are understandably hostile to many arrangements predicated on patents. For such reasons they so frequently and fervently — with the missionary zeal of the true believer — attack licensing arrangements involving territorial, field or other such limitations.

That they are seeing this entire scene in a grossly distorted way is not a deterrent, but a spur, to their attacks on licensing practices we know to be both justifiable and essential. But given their assumption that the statutory presumption of validity is really only a myth, then one can see the basis of their concern.

They seem to be jealous, too — in a way that surprised me — of what one of them called the "wordsmanship" of the Patent Bar. And so it is that when we engage in dialogue or negotiations with them, we often find them very uptight in a way that makes progress very difficult.

Unfortunately, many of the Courts and many members of the Congress tend to adopt the views and to follow the lead of the Department of Justice in treating patents as odious monopolies which conflict with the public interest. In the recent *Deepsouth* case, for example, the Supreme Court clearly based its holding of non-infringement on an interpretation of our patent laws which was based on just this view, and expressed in just such terms.

And Senator Hart, in recently introducing his compulsory licensing bill S.2287, opened his introductory remarks with the statement that "The patent licensing system in this country today looks like the loser in a barroom brawl. The bandaids, gauze patches and wrappings pretty much disguise the form underneath."

When Congress and the Courts can hold such views of our patent system and our licensing practices, it's pretty clear that we're in trouble up to our necks!

How about industry? Unfortunately, industry is not without its faults. Too many bad actors have done too many bad things, and through patent practices including misuse, cartels and fraud have made a very unhappy kind of public record. *Hartford Empire, National Lead,* ICI, Tetracycline, Singer and Union-Camp are just a few of the situations that come to mind. These are things that people know about and remember.

The drug industry, in particular, has a very bad image. In large part, this results from pricing practices. One basic difficulty here is that the public usually fails to appreciate the high cost of R&D in this field which is essential to progress, and that only the relatively few successful products enable this expense to be borne. Another difficulty is that the matter of health care and drug prices has become one of tremendous political interest — and hence a political football in various ways.

One current illustration is most enlightening. The French patents covering Ampicillin owned by the Beecham Group of England are being deliberately infringed by a French company with the blessing of the French Government. This results from the fact that the drug sells in France for $10.90, as against $2.48 in England. The French naturally regard this as putting them at an unfair disadvantage. But the reason for such pricing is that the British Government is artificially depressing the price in England. So logically and understandably the Beecham Group is obliged to recoup their expenses and to make their profits elsewhere! But equally logically and understandably the French say "not here!"

As we can see, then, such price discrepancies are apt to be invoked by countries (such as France in this case) and by members of our own Congress (such as Senator Nelson, for example), as evidence of overcharging. And such "evidence" then tends to be used as the basis for compulsory licensing, setting price ceilings, tolerating patent piracy or otherwise inhibiting the normal, necessary and effective operation of a vital industry and a vital patent and licensing system.

Obviously, public understanding of this and practically all other aspects of our situation is horribly inadequate. In this connection, even the most respected of our media are hardly helpful. Let me read to you, for example, one illustrative paragraph from a recent *Business Week* editorial,

> "The Administration's Patent Bill does manage to grapple with a main defect in the patent system, its slowness. Speed after all is important to competitive survival in world markets. A nation whose patent processes can take upward of two years can easily be beaten to the technological draw by companies in nations with faster administrative reflexes."

This is sheer, unadulterated nonsense!

Let us turn now, for the minute or two that remains, to the sequence of recent events which have reflected these various influences and attitudes.

Since the 1966 Presidential Commission Report, we have simply diddled and fiddled. Successive waves of legislative proposals have been advanced and debated. But nothing much has happened.

The kind of disagreement within our own patent circles

to which I have referred is pretty well duplicated by disagreements and differences arising in Government. For example, the Department of Justice and the Department of Commerce fought to a stand-still in the 1971 hearings on the Scott amendments; and because of that conflict, the Administration failed for years to come up with a patent law revision bill of its own. At long last, and impatiently, Senators McClellan and Scott wrote a letter to the President on September 21, 1972, urging him to "renew efforts to formulate an administration position on patent law revision".

Finally, then, the Administration tried seriously to provide one, and this led to the establishment of a joint Commerce/Justice task force effort, under White House guidance and pressure exercised by Kenneth Dam of the Office of Management and Budget.

Unfortunately, I was obliged to leave that enterprise about a year ago, just as we were beginning to make what looked like encouraging progress. I was and am really sorry about that. And so, I think, was Tom Kauper, Assistant Attorney General in charge of the AntiTrust Division, who directed the Justice effort in connection with these task force operations. He wrote to me immediately thereafter, and expressed the deepest regret about my leaving. "I am confident" he said "that if we'd been able to continue our relationship it would have been most pleasant and that the results of our efforts toward reform would have served the public well."

The sad truth is that after I left there just wasn't anybody involved in the task force effort, on either the Justice or the Commerce teams who had had any practical experience in the patent field. Moreover, for many months thereafter, the Patent Office was without a Commissioner to head the Commerce effort. Recently, the General Counsel of the Department of Commerce pointed these things out, observing that in consequence, in the White House discussions, "many issues were being resolved in the dark".

It was against that background and on such a basis that the Administration Bill was drafted and presented.

It is very bad, and very unrealistic in many respects.

Should we worry? Indeed we should!

But is that bill what's really before the Congress for action? No, because a markup of that bill — which has yet to appear on the scene and is long overdue — presumably will modify it in many particulars and hopefully for the better.

But we don't know yet what it's going to be.

So, there we are — in a mess.

It isn't quite clear to me how we are going to get out of it, nor in what shape.

But it is reasonably clear to me, however, that if we are to get out of it, and in good shape, we'll have to learn from our mistakes and shortcomings of the past, and that we will, in the future, have to apply those lessons well.

Thank you very much for your patience and interest.

**About the Speaker: The Honorable Robert Gottschalk, Former Commissioner of Patents, U.S.A.*

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April 23, 1980

The Honorable Birch Bayh
363 Russell Senate Office Building
Washington, D.C. 20510

Re: S.2079, Independent Patent and Trademark Act

Dear Senator Bayh:

At the conclusion of the January 24 hearings on the subject bill, you requested the former Commissioners who had testified to respond to four questions, which later were set forth as part of your letter of February 13. I respond to these questions as follows:

1. No, I firmly believe that the interests of the PTO, the patent and trademark system and the nation as a whole would be far better served if the PTO were an independent agency as provided in S.2079.

2. My experience has been similar in all material respects to that of other former Commissioners who have reported their difficulties in dealing with budget problems under the present arrangement. (see further comment below)

3. No, I do not believe that anything short of the changes proposed in S.2079 can accomplish the objectives of that bill. Neither upgrading the rank of the Commissioner within the Commerce Department nor providing for direct PTO communication with Congress and OMB would overcome the basic problem of domination and control of the PTO by the Commerce Department.

4. As for the presentation made at the hearing on behalf of the Commerce Department, urging that the present arrangement be continued, I can only say that this presentation seemed to me in itself a most compelling demonstration of the need for change!

> As I listened to it, I could not help but wonder how anyone at PTO could hope to work successfully with, or for or through, any person holding the views then stated, or having the negative attitude and lack of perception which that testimony so starkly revealed. The total lack of respect for the Office which permeated the speaker's remarks was particularly appalling, as virtually precluding any satisfactory working relationship between the PTO and the Commerce Department, whether under the present arrangement or any variant of it.
>
> Nor was that presentation an aberrant departure from Commerce policy; it was wholly in keeping with it. Thus Assistant Secretary Baruch on March 27 - with Commissioner Diamond sitting right beside him, and powerless to speak - testified that "it would be a disaster" if the PTO were to be made an independent agency; and that the nation "cannot afford a system that would issue only perfect patents."
>
> Such statements leave no doubt as to the arrogance of attitude, and the lack of any real concern or understanding on the part of the Commerce Department with respect to the PTO. They eloquently proclaim that the present arrangement cannot and must not continue.

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At this point I would comment further concerning the PTO's budget process difficulties under the present arrangement, as referred to in Question 2 above.

As the testimony and supplementary submissions of former Commissioners have made clear, a fundamental concern in this respect is that the PTO has not had direct and effective communication with Congress and OMB. Illustrative PTO experiences with which I am familiar point up the difficulties and penalties resulting from this situation:

For many years, the unsatisfactory state of the PTO reference files has been recognized as a major factor in patent invalidity, the unreliability of patentability and infringement studies, and a widespread loss of public confidence in the patent system. At the same time, there has long been a constant cry, from all sides, for the PTO to "computerize" its search files and the examining process.

The problem thus posed is difficult, to be sure, but not insoluble. Yet despite determined and persistent efforts of the PTO, it has not been solved. Why?

The basic difficulty as to both aspects of the problem has been insufficient funding to carry on, responsibly and effectively, operations at three levels:

(i) "catching up" to overcome deficiencies in the files;

(ii) "keeping up" to maintain reasonable standards of currency, completeness and accuracy; and

(iii) "tooling up" to develop new systems and procedures utilizing computers and other advanced technologies.

Despite the lack of adequate funding, the PTO has been constrained to try to do, as best it can, all of these things at once. Not surprisingly, it has failed to do any of them really well.

I believe these shortcomings are basically the result of the lack of communication referred to above. The Congress, understandably, has been calling on the PTO for improved results and more efficiency, such as would result from the development of new procedures based on proven new technologies. Yet, without adequate presentation of the PTO case, it has not appropriated the funds required to make such improvement possible. Accordingly, the PTO has not been in position to develop or acquire the hardware and skills required.

The inability of the PTO to convey effectively to Congress and OMB the nature of its problem and the means required for its solution, can be attributed in largest part, I believe, to the domination and control of the PTO by the Commerce Department, which has consistently frustrated the efforts of the PTO to be heard.

This is hardly any wildly imagined scenario. Far from it: witness the brazen efforts of Commerce in recent months to deny, to the Senate Committee on the Judiciary, the information it specifically requested from the Commissioner concerning operating problems and needs of the PTO.

Sadly, such "muzzling" of the PTO has long been established Commerce policy. It has denied to the PTO the opportunity to obtain the understanding and support of the Congress which is so essential to the PTO's proper performance of the duties with which it is charged; yet Commerce has never acknowledged its own responsibility for PTO shortcomings which the Department's own policies and practices either caused or exacerbated.

A case in point: When the PTO attempted to "modernize" its classification and searching systems about ten years ago, it was obliged, because of the unavailability of funds for that purpose, to finance its program with funds originally appropriated to meet other needs. Otherwise stated, the PTO efforts

to develop computerized classification and searching systems were largely supported at the expense of the traditional search files; and these became increasingly unsatisfactory as to currency, completeness and reliability. When this latter situation reached a critical point, it was necessary to abandon most of that development program, which was still far short of completion, in order to salvage and restore the traditional files.

The Commerce interpretation of this chapter in PTO history would undoubtedly be that of "poor management." My own view is that the PTO, motivated by need and dedication, struggled in a valiant effort to somehow overcome its problems. Meanwhile, its ostensible protector and guardian, Commerce, seemed neither to understand nor care enough to permit the PTO to present its case to the Congress.

Suffice it to say that the inadequacy of these traditional search files is still a major problem, and that effective modernization of filing and searching operations in the PTO is almost as far away today as it was ten years ago.

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In addition to the four questions discussed above, a further question was posed as to how independent agency status for the PTO might be justified as against the claims of other units of the government to like status.

That question has already been addressed in Commissioner Schuyler's testimony and statement, recounting the history of the Office as a component of, at various times, the Department of State, Agriculture, Interior and Commerce. Commissioner Banner's letter of January 29, 1980 emphasized the special responsibilities and quasi-judicial functions of the Office. Commissioner Dann's letter of February 11, 1980 further discussed the special statutory status of the PTO, and the long history of its essentially autonomous operation.

I concur in the views so expressed. Some further aspects of the matter might be worth noting in this connection, and I offer the following observations concerning them:

1. It was perceptively noted many years ago that the patent law "stands at the cross-roads of science, law and business."

At least two of those disciplines - science and law - are virtually polar opposites. The first relates to the realm of exact physical science, and the latter to that of inexact social science. The Patent Office must cope with matters invariably involving the joint application of highly specialized expertise in both of these fields.

It is required of the Office that it perform these functions in such manner as to fulfill the Constitutional purpose - namely, to "promote the progress of the useful arts." This means, of course, that the objectives and activities of the Office must serve the nation's interests with respect to industrial innovation and the economy.

What is more, its functions with respect to both patents and trademarks are principally of a quasi-judicial nature, as noted above, and concern the grant of important property rights.

So far as I am aware, there is no other unit of government, involving anything like this extraordinary combination of characteristics and responsibilities, which is not already accorded independent agency status.

2. The unique and multi-faceted aspects of the Office probably accounts in large part for its organizational history as a migratory misfit. In whatever department of government it has been placed from time to time over the years, it has apparently always been "different" and uncomfortably out of place.

The PTO's difficulties of the last forty five years with which I have been familiar are, I believe, both reflections and inevitable consequences of this chronic dissonance.

Not surprisingly, comparable problems are commonly encountered in private industry: Where in the corporate organization is the Patent Department to be placed, and to whom shall it report?

A study by the National Industrial Conference Board some years ago reported that in about one third of U.S. corporations the patent department reported to the chief legal officer; in another one third, to the chief technical officer; and in the remaining third, to the chief executive officer. No general conclusions were drawn in the NICB report as to which arrangement was to be preferred.

My own corporate patent experience over a span of more than thirty years, has involved operation in each of these three different ways. I have found that in departments reporting to technical executives, the legal aspects of their operations tend to suffer; and that in those reporting to legal executives, technical aspects tend to suffer. In either case, there was a continuing sense of pressure and imbalance.

The best arrangement, I found, was that which involved reporting to the chief executive. It was my experience that here the patent operation could strike the proper balance between technical and legal considerations, and achieve their appropriate correlation and coordination.

In this situation, the patent department could perform its complex and sophisticated functions more effectively, unencumbered by the influence of special or parochial interests of either technical or legal supervisors.

It could do this with improved orientation to the overall operations and objectives of the corporation. This arrangement brought the patent operation more directly in touch with top management with respect to corporate policy, program planning, budgeting, and accountability for performance. It produced superior overall results.

With respect to patents, I have found corporate and governmental management matters to be strikingly parallel. Based on experience in both areas, I believe that in government as in industry, the inherent nature of patent activity requires that the PTO be permitted to perform its special and unique functions free of the restraints and handicaps imposed by Commerce Department domination and control.

I believe that the Office should be established as an independent agency, and as such report in effect to the Congress. Specifically, I urge the enactment of S.2079.

The history of the Office seems to confirm the wisdom of this course. It has performed at its best when it enjoyed substantial autonomy and independence. Its problems grew, and were exacerbated increasingly, as it was deprived of autonomy and independence.

The time has come to reverse that trend ... and to restore the Patent Office to the stature it deserves, so that it may make in full measure the contribution to the security, strength and progress of this nation of which it is capable.

As the record shows, and the testimony of Commissioners spanning fifty years of experience unanimously confirms: there is no other way.

Respectfully,

Robert Gottschalk

cc: Honorable John C. Danforth

Former Commissioners

Conway P. Coe
Robert C. Watson
David L. Ladd
Edward J. Brenner
William E. Schuyler, Jr.
C. Marshall Dann
Donald W. Banner

Senator BAYH. Mr. Ladd?

Mr. LADD. Mr. Chairman, I have no prepared statement. My remarks will be very brief.

Senator BAYH. We will put the entire statement of all you gentlemen in the record, so if you want to encapsulize it, we will appreciate it.

Mr. LADD. I don't think extended remarks on my part are necessary because you will find among the people before you now a general homogeneity and consistency of views. You may find different historical aspects and events which are emphasized by different witnesses.

My name is David Ladd and I was Commissioner of Patents during the Kennedy administration. It was during my tenure that the Office of Assistant Secretary for Science and Technology was created, and I will have some comments about that in a moment.

I would like to make just one brief comment in relation, Mr. Chairman, to a statement which appears in your extended introductory statement to the effect that the country is at the moment living on "grandfather's money" and Senator Danforth's statement of the need to improve incentives for technological innovation in this country.

Our immediate business at hand, of course, is to discuss whether the Patent Office should be made an independent agency, but this has been a very encouraging meeting to hear statements from both of you about the need of encouraging technological innovation and improved productivity. This is an urgent problem. Business Week, in the current edition indicates the American standard of living in real terms has now begun to decline; and so I appeal to you and to the other Members of the Congress and the Government to get on with the business of stimulating the creation of wealth through increased productivity. The efficient operation of the Patent and

Trademark Office and the patent system are an important element in encouraging research and innovation

I think the comment of protecting turf is relevant. In all of the proposals for reorganization I have ever heard, in private industry or Government, I have never heard someone whose staff was proposed to be reduced or whose budget was proposed to be reduced to come back 2 or 3 days later and say, "By George, I think you are right, I think these employees, these functions, and these funds should be taken away from me." I have never heard that happen.

On the other hand, the testimony that you hear from the people who are here before you now is for no purpose other than strengthening this extremely important American institution and offered with no ax to grind.

Reference was made to the experience of Commissioners of Patents as sometimes representing an inside or limited view. Yet for example, Donald Banner was chief patent counsel of Borg-Warner Corp., and C. Marshall Dann was chief patent counsel of the Du Pont Corp. It is unlikely they did not get a broad view of the function of the patent system and the PTO as the consumer of the product as well as from the point of view of their management of the institution which presents the product.

Senator BAYH. If you would just permit me to interject a thought, I think I probably asked Deputy Assistant Secretary Wolek the wrong question. I should have asked him if he ever tried to apply for a patent. Instead, I asked him if he had ever been to the Patent Office and if he was familiar with its workings.

I must say I have talked to a lot of folks, the consuming public of the PTO's product, and everyone agreed that the Office should be independent. Excuse me for interrupting.

Mr. LADD. During my tenure the relations of the Patent Office with the Department of Commerce were excellent until the Office of the Assistant Secretary for Science and Technology was created. Until that time, we had the full support of Secretary Hodges and the Under Secretary, Mr. Gudeman, and that support extended also to the Bureau of the Budget, and to the committees of Congress. And I think that that direct contact with the OMB and the congressonal committees is evidence of this, and the closeness with which the Senate Subcommittee on Patents, Trademarks and Patent Rights followed the activities of the Patent Office, I would point out that when the Patent Office conducted, under the chairmanship of Earl Kintner, a former Chairman of the Federal Trade Commission, a comprehensive management survey of the Patent Office, the Senate subcommittee published the report of that survey as a committee print. In the annual reports of the committee at that time there were commendations of efforts of the Patent Office to improve its administration and its function and those reports, of course, are a matter of record.

Likewise, our relationship with the Bureau of the Budget was close. For example, the Examiner from the Bureau of the Budget frequently sat in on our internal planning and policy sessions within the Patent Office. On occasion the Examiner from the Office of Management and Budget—then the Bureau of the Budget—would actually go with us on our management retreats for the Patent Office.

If I may direct some comments to Mr. Wolek's observations made about the deficiencies in budget presentations recently from the Patent Office. If such deficiencies as he describes have appeared, the budget officers are not doing their job and should be replaced. I don't know whether those statements of Mr. Wolek are correct; but in any event, that does not necessarily bespeak the necessity of a review at the Department of Commerce level.

I can say parenthetically at the time I was there the budget officer for the Patent Office was regarded as a model within government, received a governmentwide award for excellence and was highly regarded within the Bureau of the Budget. He was also one of the finest men I knew, have ever known.

In earlier years in the discussion about whether or not the Patent and Trademark Office should be made an independent agency, the argument is sometimes made that the Department can lobby more effectively for the interest of the agency within the Federal establishment than the agency can itself. On the basis of the experience I have mentioned, I do not believe that to be true.

The statement has been sometimes made that the only function of the Department of Commerce is to control policy, not the internal administration of the office. To that, several points need to be made. In that kind of a formulation, the only real question is, who decides what is policy and what is administration? I can tell you that the Patent and Trademark Office does not make that determination. It is made by the Department of Commerce. In the past that formulation has been interpreted to cover the interference in contract awards regularly made by the Patent and Trademark Office, the placement of sponsored personnel, and the direct intervention in the relationship with the Patent Office employees and their unions.

That completes my statement, Mr. Chairman.

[The following letter was subsequently received from Mr. Ladd:]

UNIVERSITY OF MIAMI,
*Coral Gables, Fla., April 4, 1980.*

Hon. BIRCH BAYH,
*Russell Senate Office Building, Washington, D.C.*

DEAR SENATOR BAYH: This letter responds to your request for further views of the former Commissioners of Patents who testified January 24, on S. 2079.

The Office of the Assistant Secretary of Commerce for Science and Technology was established in 1962, during my tenure as Commissioner of Patents. From the creation of that new office, the fortunes of the Patent Office have steadily worsened to its present grievous condition.

Commissioner Watson served a long and admired tour of duty 1952–1961. Thereafter, the turnover of persons in the post of Commissioner has been rapid, and the average period of service has sharply declined. It is not surprising that every living commissioner has lent his enthusiastic support to S. 2079.

In my view the interests of the Patent and Trademark Office, of the patent and trademark systems, and of the public, will be vastly better served if your bill is adopted.

I say flatly that as long as the Department, through an Assistant Secretary or otherwise, preempts operating control over the office, as it has with special forces since 1962, the same sorry results will be obtained.

Nothing short of making the Office independent will restore and reinvigorate the Office.

The mission of the Patent Office is unlike that of any agency in Commerce or, for that matter, unlike any other agency under the supervision of the Assistant Secretary for Science & Technology: adjudication applying statutory standards and procedures to questions of technology. I wholly endorse Commissioner Banner's views

presented in his letter to you of January 30, 1980. The Patent Office should have the independence and dignity of the quasi-judicial agency it is.

The only argument seriously urged, other than inertia, for housing the Patent and Trademark Office in Commerce is that Commerce can manage the PTO better than the Commissioner of Patents. This is asserted not proved, nor even supported with evidence. It is contrary to the experience of past Commissioners. Before the creation of the Office of Assistant Secretary for Science and Technology, Secretary Hodges and Undersecretary Gudeman allowed the Office substantial autonomy, and our work prospered, to the approval of the bar and the Congress. The subsequent story has been laid before your Committee by succeeding Commissioners.

The testimony of the former Commissioners is compelling. If one—or more—were motivated by unkindly memories of his own experience, does not the unanimity of opinion among them speak volumes?

The bill should be enacted.

Respectfully,

DAVID L. LADD,
*Professor of Law.*

Senator BAYH. Mr. Schuyler?

Mr. SCHUYLER. Thank you, Mr. Chairman, Senator Danforth.

My name is William Schuyler, I was Commissioner of Patents from May 1969 until August 1971.

I have a prepared statement that I have given to the staff and I would ask that it be incorporated in the record.

Senator BAYH. Without objection it will be inserted at the conclusion of your testimony.

Mr. SCHUYLER. I concur in everything that has been said by my colleagues sitting at the table today and will try not to repeat any of it.

I was interested in the statement by Secretary Wolek that the 1981 budget is going to reflect some of the concerns that have now been brought to the forefront. That interest after the fact has occurred before, but it doesn't last very long.

In the 1950's, during the period of Commissioner Watson and Secretary of Commerce Weeks, I was on a delegation of about 10 members of the Patent Bar that called on Secretary Weeks. I think I was then representing the American Bar Association, and our mission was to try to persuade the Secretary to increase the budget request for the Commissioner of Patents.

Secretary Weeks was very sympathetic and he said that he would be glad to support us, but that his hands were tied by what was then known as the Bureau of the Budget.

So our delegation, without appointment, walked across Pennsylvania Avenue from the Department of Commerce to the Department of the Treasury and called on the Director of the Bureau of the Budget. He was not available but because of the distinguished stature—not including myself—of some of the other members of the delegation, we were given an audience by a high executive and he was quite sympathetic, but he said he couldn't do much because he was having difficulties with the Congress.

So our delegation came here and did persuade the Congress to increase the appropriations of the Patent Office.

The Department of Commerce, of course, Secretary Weeks had been supportive of what we expressed as necessary but that pressure from outside, which is again occurring at the present time, did not bring results for very long.

I was also interested in the comment of Secretary Wolek that they are conducting or have been conducting a zero-based analysis

of the Patent Office. When I took office in 1969, my predecessor, Commissioner Brenner, had laid the groundwork for just such an analysis and I undertook personally to review every unit in the Patent Office from a zero-base point of view, and I recall very vividly the dedication of the Patent Office staff that Commissioner Brenner had created for that purpose because my time was under demand during office hours and we worked after hours on that project many, many nights and did then present to the Department of Commerce our requests for funds based on a zero-base review in 1969 and 1970 long before that became fashionable in more recent years.

In my opinion, the Patent Office did very well in the several Government departments until 1950. Prior to 1950, the Commissioner of Patents derived his authority and responsibility directly from the Congress, under which he operated. He was responsible to the Secretary in the organization of the executive branch but he reported to the Congress.

He communicated with the Congress and the Patent and Trademark—what was then known as the Patent Office, was performing well, the public had confidence in the patent system, the investment in research and development was on the increase. But what happened in 1950 was the Reorganization Plan 5, the report of the Hoover Commission that for some, I think, accidental reason transferred all of the functions, all of the statutory powers of the Commissioner of Patents to the Secretary of Commerce.

At the same time, the Hoover Commission excepted quasi-judicial agencies from this effort to consolidate functions in the Cabinet Departments. Why the Patent Office was excluded, I think, was an accident because it was called the Patent Office and not the Patent Commission. I don't think the people who worked on that looked carefully enough to find the quasi-judicial work that is the main effort of the Patent Office.

This idea of not looking with a broad view and the idea of publishing and studying studies such as the recent Domestic Policy Council Study is not new. In the 1950's, the President, or the Secretary of Commerce appointed a hand-picked committee of scientists and patent lawyers to study the use of computers to aid the Patent Office in its searching effort and that Commission was headed by Dr. Vannevar Bush, a scientist whose name is legend in the computer field, and others.

I happen to have served on that committee, and that committee reported, among other things, the Patent Office should undertake a research effort and should seek the funding to perform the research to see what computers could do to help this.

Commissioner Ladd implemented that by appointing the first Assistant Commissioner of Patents for Research and Development.

Efforts were continued by Commissioner Brenner and I continued them, but that funding has now disappeared. I don't know the reason. I think there is a fair inference to be drawn. I would like to relate one personal experience but first, let me refer to the hearings on the Hart bill.

In 1973, when I was testifying on other matters before Senator Hart, again, representing the American Bar Association, the American Bar Association did not have a position on the Independ-

ent Agency bill and I explained there was no position. I was asked my personal view and I stated that at that time my relations with the Secretary of Commerce had been such that I was one of those who thought that the Patent Office was better represented by a Cabinet-level officer than it would be as an independent agency.

I have changed that view because of things that have happened since.

Senator BAYH. Mr. Schuyler, could I interrupt long enough to say we have just been notified of a vote. I feel very bad about this, but the facts of the matter are, we are going to have to vote here in about 7½ or 8 minutes. Once we get over there, the likelihood of our coming back without keeping you gentlemen waiting, is relatively remote. If you could encapsulize and let Mr. Brenner have a chance to summarize his statement I would appreciate it. I am going to ask, if you have no objection, that you answer a couple of questions that I have in writing to get them on the record.

My colleague, Senator Danforth, would like to ask some questions.

Mr. SCHUYLER. Thank you, sir; I think all of us understand the need under which you work.

I will conclude with one personal experience. While I was Commissioner of Patents, Senator McClellan introduced a bill to make the Commissioner of Patents an Assistant Secretary of Commerce.

The Secretary of Commerce informed me that he would support that bill and the bill passed the Senate. I made the Secretary's wishes known to the staff. The bill passed the Senate and went to the House, and was called for hearings in the House on rather short notice.

The Secretary of Commerce was out of the country and the staff of the Assistant Secretary of Science and Technology, I now know by firsthand statements to me, went to the Office of Management and Budget and established an administration position against the bill which would have converted the Commissioner to an Assistant Secretary of Commerce. So that administration position was presented to the House and the matter did not come out of committee.

I will turn it over to Mr. Brenner.

[The prepared statement of Mr. Schuyler, with responses to written questions, follows:]

PREPARED STATEMENT OF WILLIAM E. SCHUYLER, JR.

My name is William E. Schuyler, Jr., and I am a partner in the law firm of Schuyler, Birch, McKie & Beckett in Washington, D.C. Since 1940 I have been engaged in the practice of patent and trademark law. From May 1969 to August 1971, I was Commissioner of Patents of the United States.

THE PATENT OFFICE BEFORE WORLD WAR II

In 1931 I was employed as a part-time office boy in a patent law firm in Washington, D.C. At that time the Patent Office was housed in its own building bounded by 7th and 9th Streets and F and G Streets which it had occupied for almost a century. That building was specially built for the Patent Office and was one of the first buildings built in the Nation's Capitol for an agency other than a department of cabinet rank. Both the building and the Patent Office as an organization were recognized as long standing institutions of the Government of the United States. Then, the positions of patent examiners were prestigious and the examining corps was composed of men of dignity held in high esteem. Positions in the patent examining corps were sought after and an examination was required in order to select those best qualified because there were many more applicants than there were positions.

Commissioners of Patents were selected from leaders of the patent bar. Commissioner Thomas E. Robertson served from 1921 to 1923 and was followed by Commissioner Conway P. Coe who served from 1933 to 1945.

There were reasons why the Patent Office was a highly respected agency in the Executive Branch of the Government. To begin with, the patent system had its origin by the inclusion of Article I, § 8 in the Constitution in 1787, followed in 1790 by requests from President Washington for enactment of legislation, and the passage of the first patent law by the Congress. In the beginning patents were issued only by a patent board composed of the Secretary of State, the Secretary of War, and the Attorney General. Those three positions were occupied by Thomas Jefferson, Henry Knox, and Edmund Randolph, all of whom together with President George Washington signed the first patents. Originally the State Department was charged with administering the patent laws and by 1802 the Patent Office had been established as a separate unit in the Department of State. From 1839 to 1862 the Patent Office served as a predecessor for the Department of Agriculture, and from 1959 until 1970 responsibility for copyright matters was assigned to the Commissioner of Patents. Jurisdiction of trademarks began in 1870.

Although the Patent Office was first in the State Department, transferred in 1849 to the Department of Interior when that department was first organized, and finally in 1926 transferred to the Department of Commerce, it always enjoyed the status of an independent agency which was almost entirely autonomous. Responsibility and authority were given to the Commissioner of Patents directly by the Congress through statutory enactments. The Cabinet officers heading up those departments of the Government did not exercise policy control over the Commissioner of Patents.

Just last week I had occasion to review the legislative history of the Plant Patent Act and was interested to see a comprehensive statement by the then Commissioner of Patents, Thomas E. Robertson. That statement by the Commission of Patents was transmitted to the Congress by the Secretary of Commerce but it was merely a letter of transmittal endorsing the statement by the Commissioner.

In 1932 the Patent Office was moved from its original building to the north end of the new Department of Commerce building at 14th and Constitution Avenue. The entire north end of that building was specifically designed for the Patent Office, and cut in stone over one of the entrances was Lincoln's quotation: "The patent system adds the fuel of interest to the fire of genius". Great care was taken to provide the patent examiners with the quiet atmosphere and privacy essential to the proper performance of their duties which involve mainly the analysis of applications for patent and the comparison of claimed inventions to what has previously been revealed in the patent and scientific literature. For the next decade, until World War II, the Patent Office continued to serve the needs of the nation and the business and scientific communities by providing the incentives for the investment of time, money and effort so necessary to continue to encourage the research and development that have brought the United States into its position of technological leadership. However, beginning with World War II, the situation began to deteriorate and has continually worsened.

## THE PATENT OFFICE AFTER WORLD WAR II

To make room for war agencies, the Secretary of Commerce decided that the Patent Office would have to vacate the northern end of the Department of Commerce building. The patent examiners were transferred to a renovated tobacco warehouse in Richmond, Virginia. Even in 1947 when the Patent Office was returned to the Department of Commerce building, it was not to the specially designed space in the northern end of that building but into very crowded quarters scattered in other areas. By 1947, portions of the Department of Commerce with more influence than the Patent Office had moved into the northern end of the building and could not be displaced, at least by the influence of the Commissioner of Patents.

Even then, the Commissioner of Patents and the Patent Office remained autonomous and, on matters of policy, independent of the Secretary of Commerce. But the report of the Hoover Commission in 1950 which resulted in reorganization Plan No. 5, transferred to the Secretary of Commerce all of the functions of the Commissioner of Patents and the Patent Office, although that same plan exempted from its implementation hearing examiners employed by the Department of Commerce, the Civil Aeronautics Board and the Inland Waterways Corporation which were likewise then in the Department of Commerce. Had the Patent Office been identified as the Patent Commission, one can surmise that it too might have avoided the disaster of reorganization plan 5 because the Hoover Commission deliberately refrained from dealing with such quasi judicial and quasi legislative bodies as the Federal Power Commission, the Interstate Commerce Commission, the Federal Trade Commission,

the U.S. Maritime Commission, the Securities and Exchange Commission, and the Federal Communications Commission. Nothing was stated in the report of the Hoover Commission to support transfer of the statutory authority of the Commissioner of Patents to the Secretary of Commerce. Nevertheless, the vesting of these functions from the Secretary of Commerce was codified by amendment of 35 U.S.C. § 3 in 19—. Subsequently Commissioner Watson persuaded Secretary of Commerce Weaks to sponsor legislation which would accord to the Commissioner of Patents the exclusive right to perform his statutory duties without interference from the Secretary of Commerce, but that legislation was smothered by the Bureau of the Budget.

In 1962 the Assistant Secretary of Commerce for Science and Technology acquired jurisdiction over several bureaus in the Department of Commerce including the Bureau of Standards, the Environmental Science Services Admininstration (Weather Bureau) and the Patent Office. The Secretary of Commerce, acting under the authority of Reorganization Plan 5, delegated the the Assistant Secretary for Science and Technology certain statutory functions of the Commissioner of Patents. With the establishment of the National Oceanographic and Atmospheric Administration, the Assistant Secretary for Science and Technology lost his major component; namely, the Environmental Science Services Administration, leaving only the Bureau of Standards and the Patent Office as substantial entities.

THE PATENT OFFICE OF THE 1970'S

This chain of events in effect established the Assistant Secretary for Science and Technology as the Commissioner of Patents so far as policy making decisions are concerned and left the Commissioner merely as an executive to administer the Patent Office. All proposed legislation or comments on proposed legislation had to first be cleared with the Office of the Assistant Secretary for Science and Technology, next with the General Counsel of the Department of Commerce, then the Secretary of Commerce, and finally by the Office of Mangement and Budget. Anything that remained could then be communicated to the Congress by the Commissioner of Patents and/or the Assistant Secretary for Science and Technology. When I was Commissioner, I had occasion to testify before the Congress on the basis of such cleared statements, but on some occasions was even then accompanied by the General Counsel of the Department of Commerce.

On matters of budgets, appropriations and expenditures, the situation is even more difficult. First, all proposed budgets must be cleared by the Assistant Secretary for Science and Technology, then by the Assistant Secretary of Commerce for Administration, and finally by the Secretary of Commerce before being communicated to the Office of Management and Budget. Hearings on proposed budgets are conducted at the Office of Management and Budget. On the occasions I appeared at such hearings, I was accompanied by the Assistant Secretary for Science and Technology, and the Assistant Secretary for Administration. When I testified before the Appropriations Committees of the Senate and the House, the Assistant Secretary for Administration was always present although he did not speak. Such appearances, at least in the Senate, were very pleasant as I appeared before such understanding senators as Senator McClellan and Senator Margaret Chase Smith. In the House it was a very interesting challenge to me, as a trial lawyer, to appear before Congressman John Rooney to defend the Patent Office budget.

Dealing with the Department of Commerce bureaucracy was a continuing challenge and presented an obstacle to every effort to improve operations in the Patent Office. For example, when I took office one of my first efforts was to modernize the management of the 200,000 to 300,000 pending cases. Physical management of those files was in an antiquated system resulting in many, many misplaced files. It is the equivalent of a simple inventory control system in any modern business, and the Patent Office staff designed a computer system so we would always know the location of a file, and any movement of the file would be recorded in the computer. We needed a computer then costing in the range of $200,000 and started the routine through the Department of Commerce to obtain that computer. The staff of the Department of Commerce was much more interested in where we were going to get the money to pay for it than in helping us clear the way to make the purchase. I assured the Department that we had the money and could afford the computer, but when I left office two years later we were still trying to obtain that computer, and the Patent Office several years later settled for a much less sophisticated system that is not as effective.

All contacts with other Government departments must be made through the Department of Commerce. For example, when I found it necessary to consult with the Assistant Attorney General concerning a Department of Justice position on legislation, or with the Solicitor General concerning cases in the Supreme Court, it

was necessary for me to go through the General Counsel of the Department of Commerce and have him accompany me whenever such meetings are arranged.

I accepted the position as Commissioner of Patents with an understanding with the Secretary of Commerce that I would have access to him in the event of any difficulty with the Assistant Secretary for Science and Technology. That understanding was known to the Assistant and it was never necessary for me to invoke the privilege accorded by the Secretary. Moreover, the Secretary of Commerce agreed with my contention the Commissioner of Patents should be independent and have the rank of an Assistant Secretary of Commerce. Legislation was introduced in the Senate to make the Commissioner of Patents and Assistant Secretary of Commerce and it passed the Senate. The House of Representatives Committee scheduled a hearing quite promptly, but, unfortunately, the Secretary of Commerce was out of the country. Word came to me that the Office of Management and Budget was opposed to the legislation and the General Counsel of the Department of Commerce acting on those instructions from OMB communicated the opposition to the House Committee where the legislation died. Later I found out that the staff of the Assistant Secretary of Commerce for Science and Technology had requested the Office of Management and Budget to enter the opposition to the legislation. With the Secretary of Commerce out of the country, there was no way I could counter the opposition by the Office of Management and Budget.

Internationally, the Commissioner of Patents had relative freedom, could write his own position papers for international conferences and speak on behalf of the United States at such conferences insofar as they involved matters relating to patents or trademarks. The Patent Cooperation Treaty, which was negotiated by the Commissioner of Patents on behalf of the United States in 1970, has been ratified by the Senate, and the Trademark Registration Treaty which was negotiated by the Commissioner of Patents in 1973 is still awaiting ratification.

### THE PATENT OFFICE TODAY

At the present time, the situation of the Commissioner of Patents and the Patent and Trademark Office has worsened. In budget matters, the Commissioner of Patent and Trademarks does not have the opportunity to present his case to either the Office of Management and Budget or to the Congress. The Department of Commerce dicates policy as well as minute details of the budget and stands in the way of any reallocation of appropriated funds. In seeking appropriations, the Department of Commerce dictates priorities which often do not correspond to those established by the Commissioner of Patents and Trademarks.

In legislative matters, the Assistant Secretary for Science and Technology appears and testifies on legislation in the patent and trademark field. Even when the Commissioner of Patents appears to testify he is accompanied by the Assistant Secretary.

At one time after I left office, the position of Deputy Commissioner was vacant and the Assistant Secretary for Science and Technology forced the resignation of one of the Assistant Commissioners leaving only one Assistant Commissioner when the Commissioner left office. I was present in a meeting with the Assistant Secretary for Science and Technology when it was announced that the Assistant Secretary would become Acting Commissioner upon the departure of the then Commissioner. I pointed out that this was contrary to the statute (35 U.S.C. 3) which provided that the Assistant Commissioner (even though there was only one on duty) assumed the position of Acting Commissioner signed a patent in which our law firm represented the applicant, we would return it and demand that it be signed properly according to the statutes. I don't know if my arguments were persuasive but the Assistant Commissioner of Patents became the Acting Commissioner.

After the resignation of Commissioner Banner, a member of the staff of the Assistant Secretary for Science and Technology moved into the Patent and Trademark Office and usurped much of the authority of the Deputy Commissioner who was then Acting Commissioner. There was no formalization of this arrangement, it was simply accomplished de facto in the name of the Assistant Secretary for Science and Technology.

### TECHNOLOGICAL DEVELOPMENT IN THE UNITED STATES FOLLOWS THE PATENT OFFICE DOWNHILL

When the United States began to lose it position of leadership in technological development in the 1950's, it has been blamed on many different causes, but never on the lack of confidence in our patent system or the submersion of the Patent and Trademark Office in the Department of Commerce. Whenever there are discussions about restoring the technological development activities in this country, the conver-

sation always turns to financial incentives such as government subsidies or tax advantages. While mention is made of strengthening the patent system, constructive suggestions are never implemented. It is very apparent that the lag in technological development in this country has followed the deterioration of the position of the Commissioner of Patents, and the Patent Office in the Government organization. The situation of the Patent and Trademark Office has been going down hill steadily since World War II until it is now completely submerged in the Department of Commerce and has very little identity of its own. Patent examiners are now looked on as glorified clerks and no longer occupy the prestigious positions of the prewar period. There have been times in recent years where there were not enough applicants to fill the positions of patent examiners and the Patent Office has actively recruited in the engineering schools in an effort to keep its staff at full employment. That has often resulted in getting the low end of the graduating class instead of the upper levels of earlier days.

Patent Office employees for the most part are still dedicated to their work and perform very well as professionals despite the cramped working conditions under which they operate. Here again, the Patent Office usually comes off second best in its effort to obtain more space in the Crystal City area because the Commissioner does not have enough influence with GSA and the Department of Commerce does not have enough interest in the Patent and Trademark Office to try to obtain needed space in a convenient location. Nevertheless, the level of proficiency in the Patent Office remains very high by Government standards. Even so, the loss of identity by the submersion of the Patent Office in the Department of Commerce has caused the public to lose confidence in the patent system and the courts to become quite critical of patents issued by the Patent Office. As a result, patents no longer provide the incentive to the business and scientific communities to invest the time, money and effort necessary for this country to regain its position of technological leadership.

## PERSONAL COMMENTS

Prior to today I have not directly responded to inquiries of why I resigned as Commissioner of Patents after serving about two and a half years. While my resignation was based on the conclusion that I could not do much more which was beneficial to the United States patent system, there was one event which triggered my resignation. For many years before taking office, I had contended that it was an anamoly for the United States Government to grant patents to itself and recommended that the practice be discontinued and that the resources spent by other Government departments in applying for an prosecuting patent applications should be transferred to the Patent Office to be used in the examination of patent applications submitted from the private sector. While I did not expect to accomplish such a drastic change, I had indicated that I thought there was room for greater utilization of inventions protected by Government owned patents. There had been in existence for some time and interdepartmental committee on Government patent policy manned by representatives from the patent sections of the many departments and agencies. The chairman of that committee had been the Assistant Secretary of Commerce of Science and Technology. I made arrangements with the Assistant Secretary for Science and Technology that he would name me as Vice Chairman of the Committee and that he would normally not attend meetings so that I might try to guide the Committee in a direction to render Government owned patents more meaningful. I attended only one meeting of that Committee before there was a change in Assistant Secretaries. After the fact, I learned that members of the Committee had prevailed upon the staff of the Assistant Secretary for Science and Technology to replace me as Vice Chairman and name one of the representatives from another department in that capacity. That abrupt change indicated a continuing policy of the position of the Patent Office when I was trying to upgrade it. I resigned the next day.

There may be a question as to why my name has not previously appeared among the former Commissioners of Patents who advocate establishment of the Patent Office as an independent agency. During my tenure as Commissioner of Patents, I had complete support from the Secretary of Commerce and on occasion invoked that Cabinet level support to try to accomplish the objectives of the patent system. This was particularly true in the interface between the patent laws and the antitrust laws which resulted in a collision between the Commissioner of Patents and the Department of Justice. Having that support from the Secretary of Commerce at the Cabinet level, I felt that if the Patent Office could get away from the shackles of the Assistant Secretary for Science and Technology it would be able to function effectively if the Commissioner of Patents at least had equal ranking with the Assistant Secretary for Administration (concerning budget matters) and the General Counsel of the Department of Commerce (concerning legislative matters).

ESTABLISHMENT OF THE PATENT AND TRADEMARK OFFICE AS AN INDEPENDENT AGENCY OFFERS GREAT PROMISE AT NO RISK

I think that the situation of the Patent Office has changed so drastically and it has been so submerged in the Department of Commerce that only establishment of an independent agency will accomplish any effective change. The bureaucracy of the Department of Commerce has become so intertwined in the affairs of the Patent and Trademark Office that the Patent and Trademark Office cannot acquire any sort of an independent status within the framework of the Department of Commerce. Only complete separation from the Department by creating a separate independent agency will be effective.

In retrospect, it is apparent that one of the most constructive moves for the free enterprise system in this country was the action of the Congress by transferring administration of the copyright law from the Patent Office to the Library of Congress. The copyright system is alive, well and prospering; it has recently been modernized and expanded by the new copyright law. Both the copyright system and the Copyright Office enjoy great respect in the business, literary, and artistic communities. The Copyright Office has been confronted with many problems as a result of the enactment of a new copyright law, but it has tackled those problems and found solutions. With the support of the Congress, the Copyright Office is regaining a condition of normalcy in its operations.

Almost all studies, including the report of the Hoover Commission, agree that quasi judicial functions should be performed by independent agencies or commissions. While most of these agencies and commissions are regulatory in nature and impose controls on American industry, the Patent and Trademark Office provides incentives for industry to spend the time, money and effort necessary to succeed in research and development projects. These are incentives that do not cost anything. They are not monitary in nature. They do not reduce the Government revenues. They stimulate rather than hamper industry. Quasi judicial functions performed by the Patent and Trademark Office should be established in a independent Patent and Trademark Office as provided in S. 2079.

This Congress has an opportunity, by enacting 2079, to take a major step in restoring the patent incentives which brought this country from a developing nation to the leadership of the world in technological development over the span of a century and a half. Regaining that leadership will not happen over night, but it may never happen unless the Patent and Trademark Office is restored to the position in the Government that it occupied before we started downhill. Enactment of S. 2079 is an opportunity without any downside risk.

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SCHUYLER, BIRCH, MCKIE & BECKETT,
*Washington, D.C., February 7, 1980.*

Hon. BIRCH BAYH,
*Chairman, Subcommittee on the Constitution,*
*Committee on the Judiciary,*
*U.S. Senate, Washington, D.C.*

DEAR SENATOR BAYH: Many thanks for your letter of January 30, 1980 concerning the testimony before the Joint Judiciary Committee and Governmental Affairs Committee panel on S. 2079. I am sure almost all of my colleagues at the Patent Bar join me in expressing our appreciation for your interest in improving the patent system, particularly by sponsoring S. 2079.

I have reviewed a letter dated January 29, 1980 which Commissioner Banner sent to Senator Danforth in response to a question posed during the hearing and I completely support that letter and the views of Commissioner Banner.

The following are my responses to the four questions posed by the enclosure with your letter of January 30, 1980:

*Question 1.* Do you believe that the interests of the Patent and Trademark Office or of the patent and trademark system are better served under the present arrangement than they would be by making the Patent and Trademark Office independent?

Answer. In order for the United States government to properly administer the patent and trademark laws so they provide the incentives to create, invent, invest and exploit for which they are designed, it is essential that the Patent and Trademark Office be established as an agency independent of any cabinet level department. Only by restoring public confidence in the patent system will the United States reacquire a position of leadership in technological advancement which it enjoyed during the first century and a half of its existence as a nation.

*Question 2.* Did you find that the Commerce Department and OMB listened to your advice when it came time to prepare your budget? Where you ever not

consulted or brushed aside by the Commerce Department when trying to make your needs known?

Answer. During my term as Commissioner, the Commerce Department listened to my pleas for resources and I at least received a hearing before OMB, although the latter was in the presence of at least two Assistant Secretaries of Commerce. However, the Department of Commerce established its overall budget and forced the Patent and Trademark Office to conform to it so the view expressed at OMB was under restraints imposed by the Department of Commerce. There were many instances when our efforts to improve the Patent and Trademark Office were simply stalled by the Commerce Department. Examples of this are found in my prepared statement submitted to the subcommittees.

*Question 3.* Is there anything short of making the Office independent that can accomplish the same objective, for example making the Commissioner an Assistant Secretary or providing the Office with direct contact with OMB?

Answer. Ten years ago I thought the Patent and Trademark Office could perform satisfactorily if the Commissioner was elevated to a level of Assistant Secretary of the Commerce Department. Now, I believe that the Patent and Trademark Office has been so intertwined in the bureaucracy of the Department of Commerce that anything short of establishing the Patent and Trademark Office as an independent agency will be ineffective. As stated in my testimony before the subcommittees, the Department of Commerce has responded before to pressure from industry in the Patent Bar to endeavor to increase the Patent Office budget. While that response has occurred, it has been shortlived and there is no reason to believe that any immediate relief due to the present pressures will be sustained. Moreover, the budget bureaucracy within the Department of Commerce, as well as that of the Office of the General Counsel of Commerce in legislative matters, will continue to impede the efforts of the Commissioner of Patents and Trademarks to reach OMB or the Congress.

*Question 4.* What was your reaction to the comments presented this morning from the Commerce Department for keeping the present arrangement intact? Do you think that the new found interest in the Patent Office by Commerce is adequate for preventing similar neglect of the Office in the future when the present political heat dies down?

Answer. I believe the comments presented on behalf of the Commerce Department during the hearing demonstrate how completely the Office of the Assistant Secretary for Science and Technology dominates the Patent and Trademark Office. There was no suggestion that the Patent and Trademark Office or the Commissioner of Patents and Trademarks could express views beyond those of the Department of Commerce. There was an offer by the Deputy Assistant Secretary to advocate the needs of the Patent and Trademark Office. That is not a solution, it is the problem.

In summary, I believe that there is an opportunity for the Congress to stimulate invention and innovation in this country by legislating the dramatic move of the Patent and Trademark Office from the Department of Commerce to the status of an independent agency. That move will restore confidence in the Patent and Trademark systems so that they will perform the functions for which they were intended by the framers of the Constitution and subsequently by legislation enacted in accordance with the Constitution. To do less will miss this opportunity and the United States will continue to fall behind in technological advancement.

Sincerely,

WILLIAM E. SCHUYLER, Jr.

Mr. BRENNER. Let me start out by saying I strongly support your bill that would establish the Patent Office as an independent agency and would establish a 6-year term for the Commissioner of Patents.

I have only recently come to this particular position because, based upon my past experience, particularly in the budget area, when I was Commissioner from 1964 to 1969, I received strong support for Patent Office budgets.

I was of the opinion that the Patent Office would be best off in the Department of Commerce at the Assistant Secretary level. However, due to developments in the Patent Office over the last several years, that have been discussed here today, and taking a 20-year overview of the Patent Office, I have come to the conclu-

sion that the Patent Office would definitely be better off as an independent agency.

I think at the present time, the patent backlog is rising, the trademark operation is a disaster. We have been advised by the mailroom in the Patent Office to expect it to take 3 weeks from the time a letter is received until it arrives on the desk of the appropriate official.

I think developments like this have to be laid at the doorstep of the Department of Commerce and, as you said, Senator, Mr. Chairman, the buck, I think, stops there at the Department of Commerce when it comes to these matters.

With regard to the matter of the 6-year term, I think that that would be a very important step forward. I think one of the major problems the Patent Office has had has been the lack of continuity. When there are changes of Commissioners, the office loses momentum.

You can just observe a loss of productivity, a breakdown in our relationships internationally with other patent offices. I think all of this could be cured by a 6-year term.

If you took out my 5 years of tenure as Commissioner, I guess I am sort of the graybeard here, as I calculate it the other Commissioners probably averaged about 2 years service. In fact, the period of acting Commissioners during this period has far exceeded the time of the average Commissioner. In summary, then, I think that to create the Patent Office as an independent agency and establish a 6-year term for the Commissioner would be a definite step forward for the benefit of our country.

Thank you, sir.

Senator BAYH. Thank you.

[Responses to written questions from Senator Bayh follow:]

ASSOCIATION FOR THE ADVANCEMENT OF INVENTION & INNOVATION,
*Arlington, Va., February 6, 1980.*

Hon. BIRCH BAYH,
*U.S. Senate, Washington, D.C.*

DEAR SENATOR BAYH: In response to your letter to me of January 30, 1980, concerning S. 2079, the following are my comments on the four questions you have raised in the attachment to your letter.

*Question 1.* Do you believe that the interests of the Patent and Trademark Office or of the patent and trademark system are better served under the present arrangement than they would be by making the Patent and Trademark Office independent?

Answer. As stated in my testimony at the hearing, I definitely believe that the interests of the Patent and Trademark Office and of the patent and trademark systems of our country would be better served under an arrangement in which the Office would become an independent agency.

*Question 2.* Do you find the Commerce Department and OMB listened to your advice when it came time to prepare your budget? Where you ever not consulted or brushed aside by the Commerce Department when trying to make your needs known?

Answer. During my tenure as Commissioner from 1964 to 1969 I generally found that my advice was listened to in the Department of Commerce. However, I never had any contact with OMB on budget matters.

*Question 3.* Is there anything short of making the Office independent that can accomplish the same objective, for example making the Commissioner an Assistant Secretary or providing the Office with direct contact with OMB?

Answer. As a second choice, I support the proposal of making the Commissioner an Assistant Secretary. I doubt that there is any practical way in the present bureaucracy of assuring on a continuing basis that the Office would have direct contact with OMB.

*Question 4.* What was your reaction to the comments presented this morning from the Commerce Department for keeping the present arrangement intact? Do you

think that the new found interest in the Patent Office by Commerce is adequate for preventing similar neglect of the Office in the future when the present political heat dies down?

Answer. My reaction to the comments presented by the Commerce Department at the hearing, confirmed my suspicions that they have an inadequate background to effectively evaluate and supervise the operations of the Patent and Trademark Office. The Annual Report of the Commissioner of Patents and Trademarks for Fiscal Year 1979 which just recently was published clearly reflects the deterioration in the Office under this same Commerce Department management for fiscal years 1977, 1978 and 1979. Based on this sad performance, I can see no factual basis for concluding that their performance would be any better in the future despite their protestations to the contrary.

With regard to the question raised by Senator Danforth at the end of the hearing, I have the following comments on why the Patent and Trademark Office, as contrasted with other Commerce Department agencies, should become an independent agency. First, I agree with the point that has been made by several other former Commissioners that the Patent and Trademark Office is basically a quasi-judicial type of operation. Its patent and Trademark examiners are somewhat similar to hearing examiners in other independent quasi-judicial agencies. The members of its boards (i.e., Board of Patent Appeals, Board of Patent Interferences and the Trademark Trial and Appeal Board) correspond somewhat to administrative law judges or Commission members in other independent agencies such as the International Trade Commission, the Federal Trade Commission, etc.

Secondly, the Patent and Trademark Office has very little, if anything in common with other Commerce Department agencies, even those in the science and technology area. Despite the fact that the Assistant Secretary for Science and Technology held frequent joint meetings with the heads of these agencies, during my tenure I found that there was very little if any interaction between the Patent and Trademark Office and, for example, the Weather Bureau and the Bureau of Standards which were the other major agencies in the science and technology area of the Commerce Department at the time.

Sincerely yours,

EDWARD J. BRENNER.

Senator BAYH. The Senator from Missouri?

Senator DANFORTH. I will put a question to Mr. Banner and ask if he can respond to it.

Then if anybody else has anything to add to it or any difference of opinion let us know either in person or in writing.

We are going to have to leave in minutes, but if you feel you cannot answer in time, I hope you will submit your answer in writing and any other elaborations or disagreements in writing.

I think the basic argument against the bill will be something on the following order: There are probably numerous agencies in the Federal Government which would like independent status. They would like to build their own empires, they would like to be out from under their departments, they would like to be able to make their own decisions without being hindered by somebody else. That is probably not a very good idea on a widespread basis. It is probably contrary to the kind of consolidation and clear lines of authority which make for good administrative practice.

What is so different about the Patent Office that we should create a special exception for it? Why shouldn't we try to do what the Commerce Department indicates we should do; namely, improve it from within?

Why shouldn't we try to simply change the existing operating procedures and, for example, allow direct submission of budgets to the Congress or move to computers or make management changes or zero-based budgeting, or something like that?

Mr. BANNER. Senator, may I answer that in writing?

Senator DANFORTH. Of course.

Mr. BANNER. I think that is a very good question and I want to give you the answer which I think would take more time than you seem to have at the moment, if that is acceptable. I would rather do that.

Senator DANFORTH. Certainly you can, and the rest of you, if you can get together, however you want, maybe you could submit a joint statement and all sign it or maybe you could circulate it and get everybody to agree or disagree or state exceptions to it.

I think that really is the major criticism of this bill and one that we should just face head on. You heard the statement of Dr. Wolek. Why isn't he right? What comments do you have on that statement? Why isn't he right? He thinks the Patent and Trademark Office should be kept in Commerce.

Mr. BANNER. Very good, sir.

[A letter to Senator Danforth from Mr. Banner and answers to written questions from Senator Bayh follow:]

January 29, 1980

The Honorable John C. Danforth
460 Russell Senate Office Building
Washington, D. C. 20510

Dear Senator Danforth:

On January 24, 1980 a hearing was held by the Committees on Government Affairs and on the Judiciary with regard to S.2079, the Independent Patent and Trademark Act. At the conclusion of those hearings you asked the former Commissioners who appeared before the Committees to state reasons why the Patent and Trademark Office is unique and qualified for independent status. As I am leaving the country for an extended period, I have prepared this initial response and, by a copy of this letter to each of them, ask the other former Commissioners to supplement this letter with their respective comments.

The beginning of that Office lies in the Constitution which, in Article 1, Section 8, specifically provides authorization to the Congress to create a patent system. Congress did so in 1790, and patents have been issued to promote the progress of the useful arts all through the history of our country. The first "patent office," therefore, started ten years before Washington, D.C. became the capital of this country and at a time when our national population was some four million people. Since 1836, the year after the first railroad reached Washington (and two years before Victoria became Queen of England), the basic patent office operation has been substantially the same as it is today.

From 1836 to 1948, the Senate and the House of Representatives both had a Standing Committee on Patents which directly oversaw the operations of the Patent Office. During that period, the chairmanship of the Senate Committee included such historic figures as Simon Cameron, Reed Smoot and William Gibbs McAdoo and nine members of Congress served as Commissioner of Patents.

Throughout that period the Patent Office remained substantially autonomous despite its location in the government.

However, after the Hoover Commission Report in 1950 the functions of the Commissioner were transferred to the Secretary of Commerce. As suggested by the testimony of former Commissioner Schuyler, the transfer may not have taken place if the name of the Patent Office had been the Patent Commission because other agencies, similar to the Patent Office in having quasi-judicial functions but named "Commissions," were excluded from the reorganization suggested by the Hoover Commission. In any event, the Patent Office slipped to its present position, below an Assistant Secretary for Science and Technology, in 1962.

In its regular operations today, the Patent and Trademark Office operates in a manner which is clearly quasi-judicial. For example, it issues patents to cover inventions which meet the statutory patent standards and registers trademarks which are used in interstate and/or foreign commerce and otherwise are in accord with the requirements set out by the trademark statute. Both the patent and trademark statutes provided for judicial remedies such as injunctions and damages in cases of patent and/or trademark infringement. For example, the patent statute gives to the patent owner the right to exclude all others in the United States and its possessions from making, from using and from selling the subject matter embraced by the patent for a period of seventeen years from the date of patent issuance.

In addition to granting patents, the Patent and Trademark Office, under the statutes governing it can, in reissue cases, narrow the scope of an issued patent or refuse to allow previously granted claims. Legislation to increase substantially the authority of the PTO in such cases is now pending in S.1679, introduced by Senator Bayh. Similarly, under the trademark statutes, the Patent and Trademark Office can, in appropriate cases, cancel the registration of a previously registered trademark.

Furthermore, under its governing statutes, the Patent and Trademark Office determines to which one of a plurality of claimants particular patent claims should be awarded; in like fashion the Patent and Trademark Office determines whether one or more parties may register a trademark for designated goods for use in a prescribed geographical area.

This daily activity of the Patent and Trademark Office in granting and, in certain cases, withdrawing substantive rights to persons of all classes throughout this country as well as persons in almost all other countries throughout the world, and

this selection by the Patent and Trademark Office of the particular one of a plurality of claimants to patent claims or trademark registration obviously constitutes quasi-judicial action.

It is submitted that this conduct of quasi-judicial nature which constitute the basic activity of the Patent and Trademark Office, and which is of pivotal importance to the strength and industrial vigor of our nation, together with the historic role of the Patent and Trademark Office -- founded on an express Constitutional provision and operating throughout our history -- clearly makes the Patent and Trademark Office unique. Its present position as a very minor portion of a vast agency is a mistake of growing harmful intensity which ignores both the history and the function of that Office. The deleterious effects of leaving the Patent and Trademark Office as a part of the Department of Commerce are set out in the testimony of the Commissioners who testified on January 24th; that testimony -- unanimous in nature -- eloquently states the issues.

I am pleased to share in the view embraced by all of the living former Commissioners, one also publicly urged by many of the other Commissioners who are no longer alive, that making that unique Office a separate agency, independent of the Department of Commerce, is essential and clearly in the best interest of the United States; I therefore strongly support S.2079, the Independent Patent and Trademark Office Act, and urge its speedy enactment.

Sincerely,

Donald W. Banner

DWB:es

cc: Senator Birch Bayh
Former Commissioners:
Conway Coe
Robert Watson
David Ladd
Edward Brenner
William Schuyler, Jr.
Robert Gottschalk
C. Marshall Dann

The Honorable Birch Bayh
363 Russell Senate Office Building
Washington, D. C. 20510

Re: S.2079

Dear Senator Bayh:

This is in response to the "Questions for Patent Commissioners".

Question 1.

Do you believe that the interests of the Patent and Trademark Office or of the patent and trademark system are better served under the present arrangement than they would be by making the Patent and Trademark Office independent?

Answer

The Patent and Trademark Office, and the patent and trademark systems in the United States, would be much stronger if the Patent and Trademark Office were independent of the Department of Commerce. The public would be much better served in having an Office in more direct communication with the Congress and OMB. Furthermore, unnecessary layers of bureaucratic involvement would be eliminated by making the Patent and Trademark Office independent, thus making that Office capable of more rapid response.

It should be kept in mind that the problems with integrity of the patent search file and arising from the deplorable state of the trademark operation -- for example -- have existed for several years. These have not been corrected by the Department of Commerce despite its knowledge that the problems existed. Indeed, the budget of the Patent and Trademark Office was repeatedly reduced, despite that knowledge. Neglect of this kind can only be remedied by making the Patent and Trademark Office an independent agency.

Question 2.

Did you find that the Commerce Dept. and OMB listened to your advice when it came time to prepare your budget? Were you ever not consulted or brushed aside by the Commerce Dept. when trying to make your needs known?

Answer

The Patent and Trademark Office prepares the first draft of the budget and consultation with the budget people in the Department of Commerce occurs. However, I was never permitted to meet with OMB representatives concerning the budget of the Patent and Trademark Office. Once I testified before the House Appropriations Subcommittee, but only under strict guidelines laid down by the Department of Commerce. My recommendations on the budget to Commerce were, in many cases, simply ignored. I had no part in discussions concerning the Patent and Trademark Office budget which took place between the Department of Commerce budget officers and OMB or between such officers and the Congress. Indeed, after leaving the Patent and Trademark Office I learned that there were discussions between the Commerce budget officers and the Congress in which the Commerce budget officers made statements which I view as completely erroneous.

Question 3.

Is there anything short of making the Office independent that can accomplish the same objective, for example making the Commissioner an Assistant Secretary or providing the Office with direct contact with OMB?

Answer

No. While making the Commissioner an Assistant Secretary might avoid one bureaucratic layer, the requirement for contacting and receiving approvals from other Commerce Department units would continue. Indeed, the contact with Congress could still be frustrated by a Commerce budget officer.

In other words, making the Commissioner an Assistant Secretary is, at best, a facial maneuver lacking the substantive remedial effect required. It should be noted that a previous bill to upgrade the Commissioner to the status of an Assistant Secretary was blocked by a Department of Commerce budget officer.

Question 4.

What was your reaction to the comments presented this morning from the Commerce Dept. for keeping the present arrangement intact? Do you think that the newfound interest in the Patent Office by Commerce is adequate for preventing similar neglect of the Office in the future when the present political heat dies down?

Answer

The Commerce Department has argued that is necessary to keep the present arrangement intact because: (1) the Patent and Trademark Office is incapable of preparing an appropriate budget without Commerce assistance, and (2) only by keeping the Patent and Trademark Office in Commerce can administration policy on technology and industrial development be consistent. Neither point is sound.

While Commerce has criticized the Patent and Trademark Office budget processes, it is interesting to note that Commerce is now recommending funding for the Patent and Trademark Office which it denied to the Patent and Trademark Office before. The Patent and Trademark Office budget requests were not wrong earlier, the Commerce Department was. Obviously the truth of the matter is that Commerce never paid sufficient attention to the Patent and Trademark Office and did not understand the problem. It is only in the light of Congress' interest that Commerce has acquired religion. Furthermore, if the Patent and Trademark Office budget processes have been so deficient for so many years as the Commerce Department now alleges, it is perfectly obvious that Commerce should have corrected the deficiency rather than use such alleged deficiency as an excuse for neglectful funding practices.

I do not think that the newfound interest in the Patent Office by Commerce is adequate to prevent neglect of the Patent and Trademark Office in the future. Even if the present Commerce management continues its newfound interest, when new Commerce management takes over the neglect may very well start again. It is of no small significance that every living former Commissioner of Patents has recommended that the Patent and Trademark Office be separated from the Department of Commerce, that it be made an independent agency, and all have supported S.2079. This group of Commissioners bridges a span from Franklin D. Roosevelt to the present day. All such Commissioners are convinced that keeping the Patent and Trademark Office in the Department of Commerce is wrong and that the patent and trademark systems of the United States suffer under such an arrangement. The country can ill afford, at this time particularly, to neglect those systems. The necessary correction can be made very easily by passing S.2079, which is unanimously approved by almost every unbiased person who has seriously considered the problem.

I appreciate very much the opportunity to express my views on this important legislation. If I can be of any further service, please let me know.

Yours very truly,

Donald W. Banner

Donald W. Banner
Former U.S. Commissioner of
Patents and Trademarks

DWB:es

cc: Former Commissioners:
Conway P. Coe
Robert C. Watson
David L. Ladd
C. Marshall Dann
Edward J. Brenner
William E. Schuyler, Jr.
Robert Gottschalk
John E. Maurer
Michael Blommer
Hon. John C. Danforth

Senator DANFORTH. Thank you all very much.

Senator BAYH. I thank my colleague from Missouri for being here.

This business of trying to ignore the fact that many weaknesses are the direct result of insufficient resources is very bothersome and I would welcome your comments on this. It is amazing. I don't think I have ever been involved in any issue where every letter supports a piece of legislation and where a group of witnesses like yourselves agree, regardless of their own political background, that a change is needed.

Thank you, gentlemen.

[Whereupon, at 12:30 p.m., the committee was adjourned.]

# INDEPENDENT PATENT AND TRADEMARK OFFICE ACT

WEDNESDAY, MARCH 12, 1980

U.S. SENATE,
JOINT HEARING OF THE COMMITTEES ON
GOVERNMENTAL AFFAIRS AND THE JUDICIARY,
*Washington, D.C.*

The committees met at 9:45 a.m., in room 6226, Dirksen Senate Office Building, Hon. Birch Bayh presiding.

Present: Senators Bayh, Thurmond, and Danforth.

Staff present: Kevin O. Faley, chief counsel and executive director; Mary K. Jolly, staff director and counsel; Joseph P. Allen, professional staff member; Linda Rogers-Kingsbury, deputy staff director and chief clerk; Christie F. Johnson, assistant clerk; Brian Fitzgerald; Howard Bauleke; Donald Pupke, Subcommittee on the Constitution; John Miner, counsel, Committee on the Judiciary; Jesse Sydnor, counsel to Senator Howard M. Metzenbaum; Renn M. Patch, assistant minority counsel, Subcommittee on the Constitution; Terry Jolly, professional staff member for Senator Sasser.

Senator BAYH. We will reconvene our hearings.

This is the second day of hearings on S. 2079, the Independent Patent and Trademark Office Act. On the first day of hearings we had a representative of the Department of Commerce and six former Patent and Trademark Office Commissioners as witnesses. Mr. Wolek of the Commerce Department said the current problems in the Patent and Trademark Office were not the fault of the Department, but resulted from an inability of the Patent and Trademark Office to get its house in order. Mr. Wolek said that the oversight of the Department is needed because the Patent and Trademark Office Commissioners had, to use his words, "too narrow a view" and could not readily understand how the patent and trademark system fits into the larger picture of the American economy.

The Commissioners, however, said that there was no reason to continue under the present arrangement because the Department did not really contribute to the operations of the Office, but often obstructed the efforts of the Patent and Trademark Office to reorganize itself so that it could be run more efficiently. I must say it seems to me the overwhelming response I received from private industry has backed the opinions of the Commissioners and has laid the blame for the present crisis in our patent and trademark operations squarely at the door of the Commerce Department.

We are really not trying to assess any blame. It is interesting to note that despite the often repeated assurances that many administrations have given when there was an outcry about the inefficien-

cies and delays encountered when trying to obtain patents and trademarks, there seems to be a continual state of crisis in our system. Patent Commissioners are routinely ignored when the Department prepares its budget each year; they are not allowed to tell the Congress what the problems of the Office really are; and Commissioners have been prevented from making even modest changes in the operations of the Office without consulting the Department.

I, personally, asked Commissioner Diamond on November 30, 1979, when he testified on another bill before the Judiciary Committee, to prepare for me a list of the needs of his Office and his recommendations on what can be done to modernize its operation. The Commissioner dutifully prepared this material and, pursuant to the normal way things are done, submitted it to the Department of Commerce and Office of Management and Budget for clearance. I now understand that a decision has been made not to release this report, but instead to send me a letter full of generalities thanking me for my interest. This material is being held up at the same time that the Department is getting ready to present the Patent and Trademark Office's budget to the Congress this month. The Department expects the Congress to approve its estimation of what the Office needs without allowing the Congress to have direct contact with the real experts. I can understand the Department's reluctance, in light of its previous history of routinely ignoring the recommendations of the Patent and Trademark Office.

The Governmental Affairs and the Judiciary Committees are privileged to have with us this morning many distinguished witnesses who have direct working relationships with the Patent and Trademark Office. It will be interesting to see if these witnesses agree with the assessment of the Commerce Department that the needs of our patent and trademark system are being well served under the present arrangement. This is more than an academic question to all of us. Patents and trademarks are the lifeblood of our innovative businesses. When these companies are needlessly delayed in delivering new products to the American public, we all suffer. I frankly believe that by allowing the Patent and Trademark Office to function without interference we will be taking a very important step forward toward solving our current economic problems, like inflation, through the most effective means—increasing our productivity and innovation.

How easy it is to say we are going to solve inflation by increasing our productivity. Apparently it is more difficult to convince the bureaucracy that it itself is part of the problem.

At this point in the record I would like to insert the prepared statement of Senator Hatch.

[The statement of Senator Hatch follows:]

STATEMENT OF SENATOR ORRIN G. HATCH

Mr. Chairman, I cannot disagree with any of your opening remarks! There is no question that a strong Patent and Trademark Office is essential to a vibrant innovative climate. As presently operating, the PTO is a disincentive to the inventive spirit. The personal success of our most dynamic community is dependent upon the efficient operation of a strong PTO. But instead of helping the cause, too often the PTO results in serious complications for an otherwise productive invention. As the Chairman has indicated, there are patents missing from every patent subclass in the PTO files. These missing patents are admissible evidence in challenging the

validity of a late issued patent. Further, the number of trademark examiners this year have not increased from the number of examiners in the PTO five years ago, and yet the examiner of today has 20 percent less time in which to process 65 percent more applications than their counterparts of the last decade. These problems are a direct result of serious underfunding of the PTO in past years. The underfunding has resulted in understaffing, from which these problems have arisen.

Witnesses that the subcommittee has heard from in the past weeks have indicated that the PTO is plagued with poor administration; poor administration on both the part of the office itself as well as its parent agency, the Commerce Department.

I would like to emphasize to the chairman that I share his views that a strong PTO is essential to assure continuance of the new technologies and ideas that have, in the past, made America the economic power that it has grown into today, and I am concerned with its decline. The chairman is aware, however, that I am very much opposed to unnecessary growth within the federal government. I'ts possible that enactment of this legislation would merely transfer the current unsatisfactory situation from the Commerce Department into an independent sphere, and in so doing further complicate these problems with those problems associated with separate agencies. Additionally, I feel strongly that irresponsible administration by a parent agency should not be rewarded by relieving them of their unpopular duties.

The chairman may have found an exception to my reservations. All previous testimony has pursuaded me that an independent PTO would operate more efficiently without the overbearance of the Commerce Department. I look forward to hearing the views of the private sector witnesses today, and, if they represent unaminity of opinion on this legislation, I will appropriately review and adjust my philosophy of opposing a proliferation of independent agencies, with respect to the patent office.

Senator BAYH. We are honored this morning, and I think privileged, to have three very busy individuals, who are experts in their own right, to come not only as witnesses, but as those who have a working experience in this field which calls us together: Donald R. Dunner, president of the American Patent Law Association, Washington, D.C.; Arthur R. Whale, chairman of the National Council of Patent Law Associations, Indianapolis, Ind.; and Morton David Goldberg, chairman of the patent and trademark section of the American Bar Association.

Gentlemen, we appreciate your being here. Lay it on us.

**TESTIMONY OF DONALD R. DUNNER, PRESIDENT, AMERICAN PATENT LAW ASSOCIATION; ARTHUR R. WHALE, CHAIRMAN, NATIONAL COUNCIL OF PATENT LAW ASSOCIATIONS; MORTON DAVID GOLDBERG, CHAIRMAN, PATENT TRADEMARK AND COPYRIGHT SECTION, AMERICAN BAR ASSOCIATION**

Mr. DUNNER. Mr. Chairman, I have been asked to go first I suspect because I am a Purdue graduate.

Senator BAYH. That doesn't disqualify you. [Laughter.]

Mr. DUNNER. I am delighted.

My name is Donald R. Dunner. I am president of the American Patent Law Association.

I would like to note for the record that I and the other members of this panel are really here representing the patent, trademark, and copyright fields.

The American Patent Law Association supports S. 2079. We feel that it would significantly strengthen the patent system in this time of need.

As you know, Mr. Chairman, the Patent and Trademark Office has been located in a number of executive agencies: the State Department, the Agriculture Department, the Commerce Department. But notwithstanding that fact, over a long period of time the

Office had a high degree of independence until the early 1950's. In fact, from 1837 to 1940, the Office was directly responsible to standing committees on patents in the House and in the Senate, had a direct relationship with those committees, and we suspect that the elimination of that direct relationship and perhaps the abolition of those committees has significantly and deleteriously affected the operations of the Patent and Trademark Office.

We feel that the Congress has a very significant role to play in the operation and vitality of the Patent and Trademark Office. Yet this committee and you, Mr. Chairman, have heard from six Commissioners, indicating that the communication between the Patent and Trademark Office and the Congress is virtually nil. You have mentioned in your statement today facts to support that point. The isolation between the Patent and Trademark Office and the Congress has also been pointedly discussed in the statements of the Commissioners.

I note merely by way of example that in 1976 the Senate passed a bill, S. 2255, which was the first significant piece of patent legislation since the 1952 Patent Act. Notwithstanding the perceived importance of that legislation, Senator McClellan, on the floor of the Senate, stated,

> I again express my regret that the administration has not authorized the Commissioner of Patents to make his views known to the Congress. The subject matter of this legislation is highly technical. The Congress in adopting a new patent code should have the counsel of the Commissioner of Patents.

Not only has there been isolation between the Patent and Trademark Office and the Congress, but there has been isolation between the Patent and Trademark Office and the very Department charged with its administration. Commissioner Banner, in his January testimony before this committee, Mr. Chairman, pointed out that notwithstanding the fact that the administration was considering and drafting a very important Government patent policy bill, neither he nor anyone else in the Patent and Trademark Office has been consulted on that bill, and, to the best of my knowledge, that consultation has not taken place even today.

We feel that the bill we are talking about today, will significantly improve the operations of the Patent and Trademark Office and will increase the sensitivity of the people responsible for the ultimate decisions to be made in the system to the Patent and Trademark Office. That sensitivity has been almost nonexistent. For years the Patent and Trademark Office has been significantly underfunded, resulting in significant deterioration of the services offered by the Office. Notwithstanding that fact, Mr. Wolek, who testified on behalf of the Department of Commerce in January before you, Mr. Chairman, acknowledged that the administrators of the Patent and Trademark Office were competent, but he blamed the past problems on confusing budget requests. He said the Patent and Trademark Office hadn't presented a significant case for added resources. He made that statement notwithstanding the fact that the Department of Commerce, through Assistant Secretary Baruch, supported an increase of $14 million. Having supported that increase, and having induced Senators like you, Mr. Chairman, to go out on a limb in support of that budget, the Department of Commerce withdrew its support at the last minute, blaming its with-

drawal on the fact that the money might be misused. Misused by whom? The same administrators Mr. Wolek suggested are highly competent.

Senator BAYH. Mr. Dunner, if I may interrupt. That was one of the most interesting, to be kind, experiences I have had in my time in the Senate. Apparently the Department and the Commissioners have completely different views of where the problems are coming from. Frankly, everything that has been presented to these hearings, so far, tends to support the Commissioners. We are in a period right now where it is going to be even more important than it has been in the past to verify the need for each dollar. When asking for extra money to make that Office run properly, we will be asked "is that wasteful, is that inflationary, or is that money really going to be used to make the process function in the way it was meant to function and get the ideas out where people can use them and deal with the problem of continued American productivity"?

Mr. DUNNER. Mr. Chairman, I believe, and my association believes, that money could not be better spent. We realize there are going to be conflicting demands on the dollars available from the Government. That money will result in improved efficiency of the Patent Office operation. It will result in the improved credibility of a patent grant. The improved credibility of a patent grant will, we feel, and the President's Committee on Domestic Policy, on which I served, feels, that having improved credibility will induce industry to spend more R. & D. dollars, will generate more products, will improve the balance of trade, will improve tax revenues to the Government. We feel the money will come back tenfold from this investment, and the money could not be better spent.

Senator BAYH. Thank you. Pardon me for interrupting.

Mr. DUNNER. That is all right, Mr. Chairman.

I would like to mention one other point. Again, blaming the problems on the Patent and Trademark Office is just belied by the record. Commissioner Banner testified that when he first came into office in 1978, he found a significant budget deficiency which would cause the Patent and Trademark Office to be in a situation not to be able to pay its examiners. Nothing was done about that until 1979, until it was too late. At that time they had to pay printing penalties. They had to print some 15,000 to 20,000 less patents than they would have printed. That is not the PTO's fault. We can lay that at the foot of the Commerce Department.

We feel there is another problem, and the problem, aside from inadequate services being rendered by the Patent and Trademark Office, is going to be compounded. Everyone in the Patent Bar and everyone out there knows the frustrations that the present Commissioner and past Commissioners are feeling in not being able to talk to the Congress, in not being able to talk to the Commerce Department effectively. The interest in serving as Commissioner is going to diminish substantially. We have seen it already. The pool of competent, talented people who would otherwise be available, we fear, is going to be diminished. When that happens the problems will be exacerbated.

In closing, Mr. Chairman, I would like to say the country deserves better than it has got. We feel that Band-Aid measures may

be available short term, but a bill such as S. 2079 is a long range, effective, well thought out solution to this problem. It is supported almost unanimously by the Patent Bar. It is supported heavily by the business community. It is supported by almost everybody I know except for the Commerce Department, whose reason for keeping an agency presently within its confines may be well understood, just by the workings of Government agencies trying to protect their turf. We do not believe that the Patent and Trademark Office would be better served by staying with the Commerce Department. The details of the reasons have been spelled out eloquently by six former Commissioners. Every living Commissioner supports this bill. Their words should not be lightly disregarded.

Senator BAYH. Thank you, Mr. Dunner. I find that testimony helpful from someone who has had kind of experience you have had and the constituents you represent who are anxious to see the system work. I thank you for giving it to us.

Mr. Whale.

Mr. WHALE. Mr. Chairman, my name is Arthur R. Whale. I am chairman of the National Council of Patent Law Associations. We number about 43 associations, connected with State bars and local and State groups of patent lawyers.

One thing I think distinguishes us in testifying in this regard is that, in a sense, I will modestly say, we are experts. We all have some kind of dealings with the Patent office, many of us for many years. So when we speak of conditions in and at the Patent Office and the condition of products coming from the Patent Office, we do so from personal experience.

We feel, the associations representing the national council, that the function of the Patent and Trademark Office is indeed impaired by its connection with the Commerce Department. This view has been specifically communicated to me, and I am authorized to transmit it to you, from 24 of our 43 associations. Normally, the chairman does not speak for the entire membership unless he has authorization from the entire membership. In the short time in preparation for this hearing only 24 organizations were able to get their internal procedures together to transmit their views. They have all, without exception, asked me to convey their support for S. 2079.

Mr. Chairman, I would like to pursue for a moment a point you raised with Mr. Dunner, the relationship between the patent system and some of the other problems that are confronting us now. Certainly it is no time to "polish the brasswork," as we used to do in the old Navy, and it is a bad time to urge actions that are going to cost money. But indeed it is a good time to urge programs that will be cost effective, the effect of which will be to buy us programs that will help solve national problems and achieve national goals.

We hear much about the innovation lag. I suggest that invention is the progenitor of innovation. It is really invention put to work. The inflation that overhangs all of this must also be considered in any redress to the problem. But we must remember that the patent system provides the shelter for the investment in the inventions and innovation that, in turn, can give rise to increased productivity through design of new processes and new machinery, the substitu-

tion of less expensive materials for materials used before in industrial processes, development of new ways to do old things, finding ways to get sick people back to work sooner, increasing the industrial process yields and yields from agricultural processes. These are all part of innovation which are, in turn, come from inventions, and it is the Patent Office that is the residence of the patent system. So it is appropriate to look at the Patent Office in this broader context.

I think it is no coincidence that the patent system is derided for the condition it is in today. The courts have some harsh things to say about it. Even though we look at 50 percent validity, we have to remember that this figure is an average. There are some courts——

Senator BAYH. Excuse me, you are saying that is a 50-percent failure figure here.

Mr. WHALE. Yes.

Senator BAYH. That is hardly something that makes one rest comfortably in investing large amounts of money.

Mr. WHALE. That is right.

We believe a part of the problem we can address in S. 2079 arises from this Commerce connection and the fact the Patent Office is really a stepchild in this major Government department. You have heard six past Commissioners report the views of eight Commissioners, all with remarkable consistency, to the effect that the Commerce Department and the Patent and Trademark Office should be separate. These Commissioners who have testified have come from various backgrounds. They were all chosen for their competence in the field. They can't all be wrong. Over all these years there has been a remarkable consistency in their views as well as the views of members of the bar dealing with the Patent Office.

As a matter of fact, Senator Hart, when he introduced S. 1321 in 1974, included as his very first provision in the bill a requirement that the Patent Office be separated from the Department of Commerce. He said, and I quote, "First, the Patent Office would be made more independent, divorcing it from the interests of the Commerce Department." Senator McClellan didn't often agree with Senator Hart with regard to patent legislation, but he did in this instance. Senator McClellan said: "A chronic unsatisfactory relationship has existed between the Department of Commerce and the Patent Office and this has contributed to the frequent changes in the Office of the Commissioner of Patents and the instability in the administration and programs of the Office."

As a matter of fact, Mr. Chairman, one of the ex-Commissioners who testified before you recently computed that in the last 10 years the Patent and Trademark Office has been without a Commissioner for about 2 years, about 20 percent of the time. This problem, lack of continuity, of course, is compounded by the corresponding changes in the administration at the Commerce Department, and particularly in the composition of the lower level departments within the Commerce Department with whom the Patent Office must deal.

As customers of the Patent Office, we are sort of like wholesalers, really. Our clients use the products of the Patent Office, and

our premise is that the Commissioners who have had experience inside are talented, are gentlemen in whom we have had confidence and in whom the administration that appointed them had confidence, and they have consistently come to this conclusion. They know the substantive implications of many of the problems that the Office presents to its customers, and these problems have persisted through a succession of Commissioners, so they are not associated with any identifiable weak personality at the head.

We think this constitutes circumstantial evidence that there must be a separation between the Patent Office and Commerce.

We could catalog, and I am not going to do it to any extent today, the matters of administration that we see, as customers, indict the relationship between the Patent Office and Commerce. They are, you might think, susceptible to administrative correction, but the persistence of these problems suggests it is more than that. I refer to such things as the fact that examiners' time devoted to applications is going down instead of up, something around 15 hours to study an application, to look at the law, to make the search, and to make the substantive comments to the patent applicant. In fact, the printed patents are sometimes months in coming from the Government Printing Office or the agency doing the job.

Senator BAYH. Excuse me, Mr. Whale. Are the ideas that are being studied, the ideas for which the patents are being requested, are those getting simpler?

Mr. WHALE. No, they are not. They are getting more complicated because technology is getting more complicated.

But the real problem in the unavailability of these patents properly classified and in place is that the public isn't able to search, nor are the examiners able to search adequately to determine the patentability of inventions before them, and the public is not able to make its infringement searches and its determinations of whether or not it ought to file applications. When the files are incomplete sometimes to the extent of as high as 28 percent, this means that close to a third of the patents are sometimes missing from the files that are searched for these important purposes.

There is urgent need for reclassification of old patents and for the 550,000 new domestic and foreign patents coming on stream. Would you believe in this Patent Office, representing the most progressive nation in the world, the patent examiners write their office actions out in longhand, and they are sent around the world to patent applicants in carbon copies? We are sometimes unable even to reproduce these carbon copies. Sometimes the original Patent Office files of the actions of the examiner and applicant, which are subsequently made available for public inspection when a patent issues, are lost. No copies are kept on microfilm.

Senator BAYH. If I were doing it, you couldn't read mine.

Mr. WHALE. This often is the case, and we have to ask for clarification.

We also, Senator Bayh, sometimes have to supply the Patent Office with our copy because they have lost theirs, and our copy becomes the official record of the Patent Office.

These things are even magnified in the Patent and Trademark Office where the search for a mark is very important prior to launching of a new product. But as of August last year, there were

10,000 marks that had not been laid open for public inspection and were lodged in the administrative procedures of the trademark segment of the Patent and Trademark Office.

As a matter of fact, last year they estimated by 1989 it would be 7.7 years between the time a trademark was filed and the application was acted upon and laid open so that the public could inspect records to see if their trademark was going to be safe and if they could safely proceed with the preparation of their advertising literature and introduction of products under those names. By that time it would be 10 years between the filing of a trademark application and final disposition of the application in the Office. Now there have been measures taken, we are advised, partially I am sure because of the concern you expressed in the last few months, to rectify the situation with respect to trademarks.

Frequently, we have seen the crises shift from one activity of the Office to another, as the brigades are shifted to put out fires. What I am saying is these Commissioners know the substantive implications of these administrative deficiencies, and we are persuaded there is more than adequate circumstantial evidence, in conjunction with our testimony, that they would have corrected these deficiencies had they had the freedom of action to do so, the freedom to dismiss incompetent employees, the freedom to reorganize the Office and to run their shop the way it should be run.

Mr. Chairman, just in conclusion, invention and innovation are highly dependent on an efficient patent system. New products, new processes, new technology for increasing productivity, and productivity overtones for inflation, all these things come from innovation and invention, and they are important factors in working out the economic problems we face. Fostering invention and innovation is the sole purpose of the patent system. Under the patent statute and the constitutional provision for it, the Patent and Trademark Office is where the patent system starts. We feel S. 2079 offers a way to significantly improve the efficiency and effectiveness of the Office and through it the patent system and all its correlative functions.

Thank you.

Senator BAYH. Thank you very much, Mr. Whale.

Mr. Goldberg.

Mr. GOLDBERG. Thank you, Mr. Chairman.

My name is Morton David Goldberg, and I am a partner in the New York City law firm of Schwab, Goldberg, Price & Dannay. I am chairman of the section of patent, trademark and copyright law of the American Bar Association, and I appear on behalf of the association at the request of the ABA president, Leonard Janofsky.

Both the section of patent, trademark and copyright Law and the American Bar Association strongly support this legislation to make the Patent and Trademark Office a separate and independent agency. We wholeheartedly concur with the comments you have just heard from my distinguished colleagues, Mr. Dunner and Mr. Whale.

Let me highlight some of the reasons we believe S. 2079 is very much needed. For one, the actions of the Commissioner, the presidential appointee who heads the Patent and Trademark Office, are subject to review by the Judiciary Committees of the Congress,

while actions of the Commissioner's superiors in the Department of Commerce—those superiors to whom he must respond and with whose directives he must comply—are reviewed by totally different groups within the Congress. Those persons within the Department of Commerce through whom the PTO presently must work are not knowledgeable in patent and trademark matters, nor do they have direct experience in the operation of the Patent and Trademark Office.

As a consequence, the decisions which Congress must make, affecting the Patent and Trademark Office, are based on insufficent information, are based on erroneous information, and are not based on information supplied by those who are most knowledgeable of the patent and trademark systems.

The proposed legislation would permit the Commissioner to be heard directly in those quarters where the legislative and budgetary questions affecting his ability to carry out his assigned responsibilities are debated and decided. That is, he would be heard directly, rather than having Congress receive the information second-hand, third-hand, fourth-hand, and even further removed from the source. In other words, he would not be subject to the distortion of hearsay, a problem which we, as lawyers, all recognize is one which distorts communication to a significant degree.

The work of the Patent and Trademark Office affects the business community. It affects the scientific community. It affects the consuming public. It affects the economy of the United States as a whole. It plays a vital role in stimulating innovation in our country, innovation which is sorely needed at this critical time. In his October 31, 1979, statement to Congress on his Industrial Innovation Initiatives, President Carter acknowledged this, and he acknowledged the need for an improved, effective and efficient patent system. In order to obtain such a patent system, we submit that it is imperative that there be an improved, effective and efficient Patent and Trademark Office. The bill before you would greatly facilitate this by making the PTO an independent agency.

It is particularly telling, as Mr. Dunner and Mr. Whale have pointed out, that every living former Commissioner has strongly supported separation of the PTO from the Department of Commerce. These are Commissioners who have had considerable expertise and experience in patent and trademark matters. Each and every one of those Commissioners who testified and those who were unable to be here before you—they have had this experience, this expertise in the operation of the PTO, as well as experience and familiarity with the needs of the U.S. business and industry.

It is also quite significant, I might point out, that the American Bar Association's Patent, Trademark, and Copyright Section, which consists of over 5,000 attorneys from private practice, corporate practice and the Government, who deal regularly with the Patent and Trademark Office, overwhelmingly support the separation of the Office from the Department of Commerce.

The work of the PTO needs no supervision by the Department of Commerce. In examining and rendering decisions on applications for patents and registration of trademarks, the PTO clearly performs a quasi-judicial function; and it is a common characteristic of governmental agencies which perform largely quasi-judicial func-

tions that they have the independent status which S. 2079 would grant to the Patent and Trademark Office.

Present operation of the Office is hindered by nuerous problems. They have been described. Typical is a number of patent search files with large numbers of patents missing. As a consequence it makes it very difficult to estimate accurately the likelihood of obtaining patent protection on new innovations. It makes it very difficult to determine adequately whether proposed new products infringe existing patents. It makes it very difficult for examiners to perform thoroughly their important function in determining whether patents should be granted on applications, and very difficult for industry to rely adequately on the patents it does receive.

In the trademark area, meaningful trademark searches cannot be conducted, because of obsolete search systems. This leads to erroneous business decisions on the use of trademarks on new products from U.S. industry.

There are excessive delays in obtaining opinions from the trademark examiners on applications for registration of new trademarks. As a result American business delays commercialization of new products.

The Commissioner of Patents and Trademarks lacks authority to reallocate budgeted funds to different missions when the necessity for such reallocation becomes known only long after the budget forecast has been submitted by the Office to the Department of Commerce.

These problems, and others, impede the incentives which American industry needs to justify research and development exenditures. And these research and development expenditures, as I believe you certainly know, are necessary for our economy, for our society, for our Nation.

In evaluating the performance and requirements of the PTO, the Department of Commerce makes unrealistic estimates of its production capabilities and needs. Those needs of the PTO which are recognized are given low priority by the Department of Commerce when it presents its overall programs and requests. The Commissioner of Patents and Trademarks is required to support what the Department perceives as the administration's programs, and this often subjugates the needs of the PTO to other entities within the Department. Thus, the spokesman for the PTO is unable freely to communicate its needs to Congress. Establishing the PTO as a separate and independent agency would free the Patent and Trademark Office from the restraints imposed by its present low priority position within the Department of Commerce.

I would like to comment, if I might, on a proposition urged by Mr. Wolek. He urged that it is necessary for the proper functioning of the administration and the proper coordination of policy within the executive branch that the PTO remain within the Department of Commerce so that its policies can be coordinated with the other entities within the Department and the other entities within the administration. This, in substance, according to Mr. Wolek, would appear to be the logical approach.

I have several comments on that approach which are appropriate here. One is something Oliver Wendell Holmes once said: "The life of the law has not been logic, it has been experience." And this

committee has had placed forcefully before it the long, painful experience of the Commissioners of Patents and Trademarks who have tried to govern the PTO within the constraints of the Department of Commerce.

In addition, the experts in the area of administrative law say to the contrary of Mr. Wolek. Professor Kenneth Culp Davis, the dean of the administrative law specialty, says precisely to the contrary.[1] Indeed, I had occasion recently to come across a very interesting article in the Yale Law Review entitled "Regulation and the Political Process," at 84 Yale Law Journal, 1,395—1975—which makes a comment which I think is most appropriate here, to the effect, "As a practical matter, the inside agencies are no more subject to Presidential directives on specific policy issues than the independent agencies." The senior author of this article is none other than Lloyd N. Cutler, who, as you know, is counsel to the President.

I submit that it has been recognized in the highest areas of the administration that it is not necessary for the proper functioning of the PTO that it remain within the Department of Commerce. If one looks at the organization chart of the Commerce Department in the Government Manual, it is apparent that the PTO comprises but the little toenail of the body politic of the Department of Commerce. In a Nation such as ours this is a disgrace. If the Congress is to implement its power under the Constitution to promote the progress of science and the useful arts, the PTO must be given its independence.

On behalf of the American Bar Association and its section of Patent, Trademark, and Copyright Law, I strongly urge the enactment of this legislation.

Thank you, Mr. Chairman.

Senator BAYH. Thank you very much, Mr. Goldberg.

Gentlemen, there may be a question or two that I would like to submit to you in writing. I know you are very busy, and we have a number of witnesses we want to have a chance to hear. If you don't have an objection, I will submit my questions in writing. I am grateful to you.

[The questions referred to will be found following the prepared statements.]

We are all concerned about productivity, efficiency, good management, and it just seems to me that we have to persevere against the forces of the status quo. We are going to continue. I don't attribute any malice to anyone, but it is sort of like the fellow that accidentally killed his neighbor with his empty gun. He was sorry, but the neighbor was still dead. I think it is important for us to get this situation changed, and I can't thank you enough for your contribution.

Senator Thurmond, it is good to have you with us. You are one who is concerned about productivity and good management.

Senator THURMOND. I would like to ask this question. You can each express yourselves. Would there be a need for increased funding if you set up the Patent Office as an independent and separate agency? Frequently when we set up an office as a separate agency, then there seems to be a demand for more staff, more appropriations, more funding. The people now are demanding less staff, to

[1] See Davis, "Administrative Law Treatise," § 2.9 (2d ed. 1978).

reduce the bureaucracy, to reduce the people in Washington. I just wonder about your opinion on that.

Mr. GOLDBERG. Senator, I would simply respond to that very briefly. We are talking about an existing bureaucracy—if you wish to call it a bureaucracy—an existing bureaucracy, not a new bureaucracy which is to be created. Second, if indeed the Patent and Trademark Office were removed from the Department of Commerce, it would be possible to reduce some of the expenditure presently devoted to communicating and to attempting liaison with the Department of Commerce to break the barriers of communication which are built into that Department. In other words, some of the levels of bureaucracy which presently exist would indeed be eliminated were there a transfer.

Senator THURMOND. You don't think the cost would be less?

Mr. GOLDBERG. With respect to that, there clearly would be less. The existing needs, the woeful deficiencies in the operation of the office, which both Mr. Whale and Mr. Dunner have described very eloquently, those deficiencies would, be remedied. Some of that remedy would cost money. But the alternative, whether the PTO becomes independent or remains within the Department, is to leave those deficiencies unremedied. The remedy must be applied, Senator, we submit, whether the PTO becomes independent or whether it remains within the Department.

Senator THURMOND. The deficiencies have to be remedied in either event.

Mr. GOLDBERG. That is right.

Senator THURMOND. I would be glad if these other gentlemen would express themselves.

Mr. DUNNER. Senator, I would add to that, I basically agree with Mr. Goldberg. I have seen a number in the record. There may be a short term, modest cost of establishing the Patent and Trademark Office as an independent agency. I recall seeing a number like $100,000 short term. I, personally, feel that there are certain needs that will be required whether the agency stays as it is or is moved. And long term, I think efficiencies will result which will more than offset that very short term, very modest cost by eliminating double layers of review which presently exist, and the present inefficiencies which exist. But the number I have seen is no more than in the neighborhood of $100,000 short term for creating an independent agency. I believe it is in the record before this committee, the precise number.

Mr. WHALE. Senator, I think there is another source of savings quite apart from the independent increases that might be necessary to redress some of the problems, and that is a savings that would result from the Commerce Department end. We have heard that Commerce is so confused with what they hear from the Patent and Trademark Office in connection with its plans, with its proposed budgets, that it assigns many people to work over the problem and, presumably, to try to understand enough of it to transmit it to Commerce and to the Office of Management and Budget. Certainly there would be a substantial savings at the Commerce level. If you look at the total picture insofar as the Patent and Trademark Office is concerned, in the testimony here today we have related the increased efficiencies that we believe would be

possible were the Patent and Trademark Office to be set up as a separate agency. The greater investment in processes and products that will lead to new products and greater productivity and to those things which do have a bearing on inflation. We are certainly not experts in costing a new agency, but we do see the efficiencies creating savings. We see the savings within the Commerce Department certainly working strongly against any increased cost to address some of the deficiencies we have talked about today.

Mr. DUNNER. Senator, may I just supplement one point. I have a statement by Senator Bayh which he presented at the hearing on January 24, "The added cost of S. 2079 would be minimal, estimated at about $150,000 a year." That is short term. That is where I got that from.

Senator THURMOND. Next I was going to ask about efficiency, whether there would be an increased cost and whether it be more efficient as an independent agency. I think you two gentlemen have responded. Mr. Goldberg, what is your opinion?

Mr. GOLDBERG. Clearly, for the reasons which have been mentioned by all three of us, I believe greater efficiency would occur within the independent agency because the efficiencies could be implemented without the additional bureaucratic complications attendant upon being a part of the Department of Commerce. The Commissioner of Patents and Trademarks would have the flexibility, for example, to make certain reallocations of efforts and of some of the funding within the PTO when the needs arise. It would be possible to respond to needs as they are perceived rather than to detect the needs, then go through the hierarchy of the Department of Commerce, and then perhaps a few years later be able to come back to those needs to try to do something about them. What I have just described was the experience of several of the Commissioners of Patents and Trademarks who testified at the prior hearing.

I recall specifically Commissioner Schuyler indicating that he detected a need for computerization in one of the areas of activity of the Patent and Trademark Office, but by the time this implementation of the computerization was approved by the Department of Commerce, it was already a few years later and the need had become far, far greater and problems had become far, far greater.

Senator THURMOND. Let me ask you this now. Suppose you had an Assistant Secretary of Commerce specifically for patents and copyright, would that answer the question?

Mr. GOLDBERG. No, Senator, I don't believe so.

Senator THURMOND. In other words, if he actually was there physically, that is his job, if he is an Assistant Secretary of Patents and nothing else and gave his whole time to it, then he wouldn't be back and forth. He would be there.

Mr. GOLDBERG. I don't believe that would really resolve the problem, Senator, for a number of reasons. There would still be the need even for the Assistant Secretary to work with, and through, the bureaucratic levels of the Department of Commerce. The General Counsel's Office and other areas within the Department of Commerce would still be subject to a perceived, or a misperceived, need for elaborate coordination between the Patent and Trademark Office and other elements within the Department of Commerce.

Indeed, if I may, Senator, this proposal, which I know has been made before, is to me reminiscent of some of the movie sets that are constructed, where there is a facade only and there are a few props behind it creating the image, the appearance of a solid structure, but, in fact, there is no solid structure behind it. It is a cosmetic construction, and it really does not meet the problem.

I believe that Abraham Lincoln asked the question, if you call a dog's tail a leg, how many legs does the dog have? He said the answer is not five, it is still four, because simply calling it a leg does not make it a leg. And simply setting up a position which purports to give nominal autonomy and greater prestige for the Patent and Trademark Office does not, in fact, give it that prestige, that autonomy which we believe is necessary and which we believe this bill does provide.

Senator THURMOND. So it is your judgment, from the cost standpoint it would be no more expensive to operate, from an efficiency standpoint it would be improved, and from a standpoint of time, if you want to put that as a third element—that really comes under efficiency I guess—your work would be expedited and it would be for the convenience of all concerned; is that your judgment?

Mr. GOLDBERG. Yes, sir.

Senator THURMOND. Is that your judgment?

Mr. DUNNER. Yes, Senator.

I would like to very briefly supplement what Mr. Goldberg said in response to your last question. That question was asked of the six former Commissioners who testified January 24. Their position states it more eloquently. I can read a sentence to summarize what they said about making the Commissioner of Patents an Assistant Secretary. Commissioner Dann stated,

> Direct contact with OMB would be better than the present situation, but would have not much effect unless the PTO budget were made independent.

If he were an Assistant Secretary, he would still be subjected to the views of the Commerce Department. And the unanimous view, current view, of the six Commissioners is that it would not be advisable to make him an Assistant Secretary. In fact, the Commerce Department opposed previous legislation to that effect which has been proposed in Congress.

Senator THURMOND. As I understand, you have one Commissioner now.

Mr. GOLDBERG. Yes.

Senator THURMOND. He is the top man over there.

Mr. DUNNER. Yes, sir, in the Patent and Trademark Office.

Mr. GOLDBERG. Subject to what we have testified about.

Senator THURMOND. Subject to the rules and regulations of the Commerce Department.

Mr. DUNNER. And the control of the Assistant Secretary for Science and Technology. There is an Assistant Secretary of Commerce for Science and Technology, who is the Commissioner's boss, and that in the past, in our opinion, and in the opinion of the Commissioners, has created substantial problems not only because there has been a revolving door in the Assistant Secretary's office, with Assistant Secretaries coming and going, but it has hampered them in their freedom of operation and in the ability to control the functions of the Patent and Trademark Office.

Senator THURMOND. Has this Assistant Secretary given full time to this or is the Patent Office just one of his duties?

Mr. DUNNER. Just one of his many responsibilities, and it is only 4 percent of the entire Commerce Department. It is a very small part.

Senator THURMOND. How much time would you estimate that he gives to this?

Mr. DUNNER. I really would not hazard a guess.

Senator THURMOND. Would it be 50 percent?

Mr. DUNNER. I would guess it would be much less than 50 percent, certainly no greater than 25, and I would be surprised if it were that.

Senator THURMOND. Has the Assistant Secretary testified on that point?

Mr. GOLDBERG. His deputy did testify, Senator. I do not recall whether his deputy's testimony included response to your specific question.

Senator BAYH. We have had the Commerce Department testify.

Mr. GOLDBERG. If I may, Senator Thurmond, I would like to make one comment with respect to your question. To the extent that the time of the Assistant Secretary for Science and Technology is devoted to Patent and Trademark Office affairs, we have an area of superfluous activity which could be eliminated and where there would be a budget saving if the Patent and Trademark Office were made an independent agency. In response earlier to your question about the alternative remedy of making the Commissioner an Assistant Secretary, I think, to use the legal cliche, that would be a triumph of form over substance. That would not achieve the substance which S. 2079 clearly would.

Senator BAYH. I would say to my colleague from South Carolina, we have had the Assistant Secretary's deputy up here who really has the line item function.

Senator THURMOND. I just wondered if the Assistant Secretary who actually oversees the Patent Office and is responsible for its operations testified on this point.

Senator BAYH. The Deputy Assistant who actually does that was here to testify, Mr. Wolek.

Senator THURMOND. And what percent of the time does he devote to this?

Senator BAYH. He didn't say. Obviously not enough because the Office is a mess.

Mr. WHALE. On the other hand, we might say he gives too much. The concept of the Assistant Secretary of Commerce has been around for a long time. Indeed, I was in favor of that a number of years ago. I think inevitably it would bring about an incremental improvement in communication. But just as inevitably I think we need more than an incremental improvement at this time, and under these conditions of innovation problems and inflation problems, I think we need to take the bull by the horns.

Senator THURMOND. I might say normally I favor consolidating agencies to reduce cost, and this might be a case where just the reverse is true.

Mr. GOLDBERG. Precisely our position.

Senator BAYH. Before you leave, let's just deal with this cost question, because I expressed my concern with it before the Senator from South Carolina got here. This is one of the few agencies of Government that actually charges fees for the services they render; is that correct?

Mr. DUNNER. That is correct.

Senator BAYH. And if we get the operation running the way it ought to be, if we can get the operation cleaned up, we are really going to raise more money; is that correct?

Mr. WHALE. Yes.

Senator BAYH. Is it not also accurate that all of the money they raise goes into the Treasury and is not returned directly to the Patent and Trademark Office?

Mr. DUNNER. That is correct.

Senator BAYH. Even as they pay as they go and support most of their expenses, we still have to go through a line item budget again.

Mr. GOLDBERG. That is correct.

If I may, Senator Bayh, as Mr. Whale indicated very appropriately before, far greater than the contribution to the Treasury you have just described is the contribution to the gross national product, the contribution to income tax revenue, and the other benefits which the Government would receive and society would receive if we have a more efficiently functioning Patent and Trademark Office.

Senator THURMOND. It is your interpretation under the legislation that is now being considered that the Patent Office would just be cut loose from the Commerce Department and retain its present structure of having a Commissioner and the other officials as is present, or would you envision a new type of structure for the Patent Office?

Mr. DUNNER. We would envision the former. It would be cut loose and essentially there would be the same general overall structure. There obviously might be deficiencies resulting within, but it would not be a totally revised, totally revolutionized agency in form.

Senator THURMOND. Would you contemplate one Commissioner, like you have now, running the department?

Mr. DUNNER. Yes, sir.

Mr. GOLDBERG. And that Commissioner would have a fixed term under the legislation, Senator.

Senator THURMOND. He would be appointed by the President, correct?

Mr. GOLDBERG. Yes, by the President, with the advice and consent of the Senate.

Mr. WHALE. May I add that the creation of a separate agency for the Patent and Trademark Office is not like creating a new department that didn't exist before. We have statutory constraints and metes and bounds and the organization has been going since about 1798. We have a very great need for the independence to tinker within to improve efficiency.

Senator THURMOND. All you want to do is cut the umbilical cord and let it go.

Mr. WHALE. Let it go.

Senator BAYH. I appreciate the Senator's interest.

Gentlemen, thank you.

I notice Senator Danforth from the Governmental Affairs Committee has joined us. Did you have questions?

Senator DANFORTH. No questions.

Senator BAYH. Thank you very much, gentlemen. Seldom have I seen such unanimity among affected groups as to how the problems of Government could be dealt with more efficiently than has been presented by your testimony here. It is doing to be interesting to see what the other witnessess say. I notice we have the National Small Business Association, which has more than a passing interest in this problem; and we have the National Association of Manufacturers and the U.S. Trademark Association. So it will be interesting to hear where your clientele come down on this idea. Thank you.

Mr. DUNNER. Thank you.

Mr. WHALE. Thank you.

Mr. GOLDBERG. Thank you.

[The prepared statements and answers to written questions of Messrs. Dunner, Whale, and Goldberg follow:]

PREPARED STATEMENT OF DONALD R. DUNNER, PRESIDENT, AMERICAN PATENT LAW ASSOCIATION

I am Donald R. Dunner, current President of the American Patent Law Association. The American Patent Law Association (APLA) is a national society of lawyers engaged in the practice of patent, trademark, copyright, licensing and related fields of law relating to commercial and intellectual property rights. APLA membership includes lawyers in private, corporate, and government practice; lawyers associated with universities, small business and large business; and lawyers active both in the domestic and international transfer of technology areas.

The American Patent Law Association strongly supports S. 2079, the Independent Patent and Trademark Office Act. The Association believes that the enactment of this legislation would significantly strengthen the patent and trademark systems of the United States.

* * * * * * * * * * *

The function of the Patent and Trademark Office (PTO) is to execute and administer the Federal patent and trademark laws. The PTO determines whether an inventor who files a patent application will or will not be granted by the Government 17 years of exclusive use of that invention. Whether a patent will issue requires an application of the law to a certain set of facts. Such quasi-judicial decisions are made tens of thousands of times by the PTO each year, and have been since 1836. The PTO also determines whether trademarks meet the statutory requirements for Federal registration. The processing of thousands of trademark registration applications in accordance with the law goes on each year, and has since 1870.

Although the PTO has been administratively located within the Executive Branch in the Departments of State, Agriculture and Commerce, until the early

1950's it possessed a high degree of independence. From 1836 through 1949, the PTO was directly responsible to Standing Committees on Patents of the House and Senate. It is clear from hindsight that the elimination of this direct responsibility and the ultimate abolution of those Committees has had a serious and deleterious impact on the working relationship between the Office and the Congress.

The Secretary of Commerce and the Assistant Secretary for Science and Technology have no role whatever to play in substantive decisions made in the PTO. Whether a patent will issue or whether a trademark will be registered are decisions which should not be subject to extraneous influence. The PTO must continue to be responsive only to the letter and spirit of Titles 17 and 35 of the United States Code. However, the Congress of the United States, and particularly the House and Senate Judiciary Committee's do have a significant role to play regarding the vitality of the patent and trademark laws and the manner in which they are executed by the PTO. However, this Committee has heard from six former Commissioners of Patents and Trademarks that there is virtually no unfettered contact between the PTO and the Congress.

The isolation of the PTO from the Congress has been made manifestly clear to us by the testimony of these former Commissioners and by the following incident. In 1976, the Senate passed a bill, S. 2255, which would have significantly amended the patent laws, reorganized the PTO, and implemented the Patent Cooperation Treaty. This was the most significant piece of legislation to reach either House of Congress relating to patents since the 1952 Act. Yet on the floor of the Senate, Senator McClellan said:

> I again express my regret that the administration has not authorized the Commissioner of Patents to make his views known to the Congress. The subject matter of this legislation is highly technical. The Congress in adopting a new patent code should have the counsel of the Commissioner of Patents.

The isolation of the PTO is, however, not only with respect to the Congress. As the six former Commissioners have made amply clear, the PTO is effectively isolated, as well, from the very Department charged with its administration. By way of example, on January 24, 1980, the most recent former Commissioner of Patents and Trademarks testified before this Committee that the Carter Administration was about to propose a significant piece of legislation affecting the ownership of patents arising from research and development funded by the Federal Government. And yet, Commissioner Banner and his successor Commissioner Diamond, presumably appointed by the President and confirmed by the Senate because of experience and expertise in just such matters, were not consulted.

> The net result of this structural arrangement is that the Commissioner is a bystander, not a participant, in many policy decisions directly connected with patents and trademarks. For example, a recent administration proposal has been made relating to the ownership and use of patents arising out of government contracts. This issue obviously relates to the effective use of technology on which a tremendous amount of tax dollars has been -- and will be -- spent. Nevertheless, the Commissioner has not had any contact whatsoever with that proposal nor any voice in its formulation. Therefore, neither the President nor any other person in the entire Administration or in the Congress has had the benefit of the Commissioner's views.

To this day, although the subject of government patent policy, (including the proposal of President Carter) has been actively considered by at least three Committees of the Congress, no word has been heard by Congress from the Commissioner or anyone else in the PTO.

The APLA believes that every effort must be made to establish a working relationship between the PTO and the Congress. Only then can the Congress make an informed assessment of how the patent and trademark systems are operating and how the patent and trademark laws are being executed. We are

confident that the Congress would demonstrate a significantly higher degree of interest in and sensitivity to the importance of the patent and trademark systems to our country than has been demonstrated in the past years by the Department of Commerce.

* * * * * * * * * * *

The Report of the Hoover Commission in 1950 led to the approval by Congress of a reorganization plan which, among other things, vested the authority of the Commissioner of Patents in the Secretary of Commerce. In 1962, the Patent Office was placed under the authority of the Assistant Secretary for Science and Technology. These actions downgraded the Office as a governmental entity and cut the Commissioner off from a direct working relationship with the Secretary of Commerce. We agree with former Commissioner Schuyler that these two events precipitated the deterioration of the efficiency and effectiveness of the PTO, which continues today.

There can be no question that the PTO plays a critical central role in the operation of the patent and trademark systems. There can also be no question that the PTO has been seriously underfunded for many years and that inadequate resources have seriously eroded the services the Office provides to the public. Those facts have been repeatedly demonstrated before this Committee in the recent testimony of numerous knowledgeable experts.

We would note at this point the significant increase in funding ($6,743,000) for fiscal year 1981. In testimony before this Committee on S. 2079, the Commerce Department spokesman, Dr. Francis Wolek, explained that in the past, the PTO's requests for funding "were confusing" and that the PTO "had not presented a convincing case for added resources". In our view, this testimony begs the question as to why the Department of Commerce, for many years in

control of the budgetary decisions regarding the PTO, didn't attempt to determine until this past year whether these requests were legitimate or not. This obvious lack of interest in the PTO by the Department of Commerce over the past decade strongly demonstrates the need to make the PTO an independent agency. As Commissioner Dann has said: "Independent status would permit control and management of the Office by persons who are knowledgeable and interested in the field of intellectual property rather than by persons who may have substantially greater concern with other matters."

The members of this Association and our clients depend upon the Patent and Trademark Office. You can well imagine our concern in hearing from the Commissioner and from the Assistant Commissioner for Trademarks that capabilities of the Office are rapidly deteriorating. In October of 1978, then Commissioner Donald Banner wrote:

> Internally, the Patent and Trademark Office is in dire straits. Years of serious under-funding have resulted in; .... (a lengthy list of operating deficiencies) .... Clearly, at present resource allocation levels, the United States will have, in a very few years, a second rate patent system.

And in August of 1979, Sidney A. Diamond, then the Assistant Commissioner for Trademarks, and now the Commissioner of the PTO, said:

> All of you are aware of the fact that the Trademark Examining Operation has been falling farther and farther behind in its work....Our goal for pendency to first action is three months, based on the fact that this is the shortest practicable period of time; and three months pendency to first action actually was achieved in fiscal year 1977. By the end of fiscal year 1978, this had risen to six months. Our estimate for fiscal 1979 is that pendency to first action will increase to fourteen months .... (Even) (i)f we get the additional personnel requested in the 1980 budget, our pendency to first action will be: 1980 estimated - 13 months; 1981 estimated - 16 months; 1985 estimated - 25 months .... In conclusion, I can tell you that I certainly did not take this job in order to preside over the demise of the United States trademark system.

* * * * * * * * * * *

The Office of Commissioner of Patents and Trademarks has had a proud tradition. From 1836 through 1948, not only did many prominent lawyers from intellectual property practice serve but nine former Members of Congress also served as Commissioners. However, today we must face the reality that the Commissioner is an employee of an Assistant Secretary of the Commerce Department. Since Commissioner Watson's term ended in 1961, there have been seven Commissioners, each serving an average of less than three years. During the past ten years, the Office of Commissioner has been vacant for two years.

The best among us have agreed to serve as Commissioner. However, it is becoming well-known that this position is marked by a high level of frustration born of the inability either to administer the PTO or have effective input on policy affecting the patent and trademark systems. We believe this "revolving door" situation casts doubt on whether the most qualified persons will agree to serve in the future. We also believe that the rapid turnover of Commissioners has had a definite deleterious impact on the 2800 employees of the Office, and particularly on the professional examiner corps.

* * * * * * * * * *

The United States and the American people not only deserve but need to have efficient and effective patent and trademark systems. The Patent and Trademark Office must be meaningfully upgraded. In our view, S. 2079 is the only effective way to do this in the long term. S. 2079 has the strong support of all of the living former Commissioners of the PTO. It has the near unanimous support of lawyers who work closely with the PTO and are in a position to understand its deterioration. It is strongly supported by the American business community. We understand the desires of the Commerce Department to maintain the status quo. However, we believe that the Congress of the United States must assess this problem dispassionately and correct the mistakes of the past by the enactment of S. 2079. This bill is in the national interest and deserves to be enacted.

Thank you.

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April 23, 1980

The Honorable Birch Bayh
U. S. Senate
363 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Bayh:

As you know, the APLA appreciates your active and constructive interest in the U.S. patent and trademark systems. We were most pleased to participate in hearings on your Bill S. 2079 to create an independent Patent and Trademark Office. We are equally pleased to respond to your four questions regarding issues which have arisen in connection with that proposal.

Allow me to answer your questions in an order different than you posed them:

Question 4: One criticism that could be made against S. 2079 is that it is in the interest of the patent bar to make the PTO independent so that they could have more control over it. How would you respond to this charge?

The "patent bar" is in reality a diverse group of attorneys who represent a wide variety of clients from small businesses and independent inventors all the way to and including the largest manufacturing corporations in the United States. The common denominator is that all of the "patent bar" represents the interest of clients who have a right to be protected under appropriate circumstances and pursuant to statute in their intellectual property. While it is true that the "patent bar" virtually unanimously supports S. 2079, it is not true and I have seen absolutely no evidence that this support involves selfish or ulterior motives.

Attorneys whose careers involve working with and depending upon the PTO are in a unique position to appreciate that that agency of the government must operate in an efficient and effective manner. Over the past several decades it has been made manifestly clear to us that the PTO is not functioning properly. In recent years, the seriousness of the situation has forced us to speak out. In 1976, Senator McClellan on the floor of the Senate publicly made us aware that an important patent reform bill would pass that day without any input from the Patent and Trademark Office. The 96th Congress is now debating a significant bill relating to government patent policy and yet we are told the PTO has had no input into that policy.

In the course of our practice we see the efficiency of the PTO deteriorating. Unconscionable delay of operation exists from the issuance of patents and the registration of trademarks to the processing of mail. The PTO has insufficient office space. The number of patent examiners is declining and the amount of time they can allot to each application is the lowest in the history of the Office.

We clearly observe, as that group in the private sector which deals directly with the PTO, that a serious management problem exists. Commissioner after Commissioner resigns after short tenure, each complaining of the frustration that current governmental structure creates. The Commissioners all express frustration that they are cut off from policy decisions involving the patent and trademark systems within the Executive Branch. The Commissioners all express frustration at having extremely limited contact with the Congress. The Commissioners all express frustration at not being allowed the authority to administer the PTO, including having a significant voice in the formulation of the PTO budget.

What the "patent bar" wants is an efficient and effective PTO. Those who would say the bar would like to control the PTO miss the point. The Office is currently isolated and ignored. What we desire is an active, constructive and vigorous interest in the PTO and in the patent and trademark systems by the Congress and by the Office of the President through OMB. If the PTO is made independent that is who would control the PTO, not the patent bar.

Question 1: The Commerce Department testified on January 24, 1980 that the present arrangement of Department oversight of the Patent and Trademark Office was better for the Patent Office and for the patent system. Do you agree or disagree with this assessment? Is there any evidence that you know of to support the Department's contention?

We believe that the "evidence" is clear that the current position of the PTO within the Commerce Department causes a serious and continuing weakening of the PTO. The direct testimony of the six former Commissioners makes it manifestly clear that the situation is causing direct harm to the PTO and the patent and trademark systems. Any possible benefits which derive from the fact that the PTO is a part of the Commerce Department are greatly outweighed by the disadvantages of that relationship. Moreover, we know of no evidence to support the Department's contention.

Question 3: There are private signals being given out by the Department that they now see the error of their ways and will do a better job from here on out if the PTO is just left under their care. Would you feel comfortable as a member of the patent bar if the present arrangement was continued after the Department promised to do better? Have you ever heard similar promises in the past, and if so what was the result?

We are aware that in the face of a serious malfunctioning PTO and the growing interest in the problem by the Congress, the Commerce Department is publicly and privately stating that a more understanding and supportive role will be undertaken in the future. We have no doubt that the present Commerce Department executives intend to attempt to understand and support the PTO and its mission. We believe, however, that the problems of the PTO do not involve personalities but the structure of the Commerce Department.

S. 2079 is intended to solve an institutional problem. Whether or not the PTO gets sufficient support and whether

or not the Commissioner of the PTO is involved in policy decisions should not and cannot be determined by personalities. As the head of an independent agency, the Commissioner of the PTO will be in direct contact with those persons in the Executive and Legislative Branches responsible at the highest level for implementing national policies. The economic circumstances of recent years make it clear to all that the services rendered by the PTO should be and must be of the highest quality.

In light of the foregoing, we would not feel comfortable if the present arrangement was continued, notwithstanding any current promises of the Commerce Department. I should note, however, that I have no direct knowledge of similar past promises of the Commerce Department to improve the operations of the PTO.

Question 2: The Commerce Department told us at the last hearing that the crux of the present PTO problem was the inability of the Office to get its house in order and the "limited perspective" of the former Patent and Trademark Commissioners who could not perceive the big picture that supposedly concerns the Department. Do you have any comments on this assertion?

The record is incompatible with this assertion. If anything, it strongly supports the view that it is the Department which must get its house in order.

By way of example, for years the Patent and Trademark Office has been significantly underfunded, resulting in significant deterioration of the services offered by the Office. Notwithstanding that fact, Dr. Wolek, who testified on behalf of the Department of Commerce, acknowledged that the administrators of the Patent and Trademark Office were competent, but he blamed the past problems on confusing budget requests. He said the Patent and Trademark Office hadn't presented a significant case for added resources. He made that statement notwithstanding the fact that the Department of Commerce, through Assistant Secretary Baruch,

supported an increase in the PTO budget of 14 million dollars. Having supported that increase, the Department withdrew its support at the last minute, blaming its withdrawal on the fact that the money might be misused. Misused by whom? The same administrators Dr. Wolek suggested are highly competent?!

Still further, Commissioner Banner testified that when he first came into office in 1978, he found a significant budget deficiency which would prevent the Patent and Trademark Office from paying its examiners. Nothing was done about that until 1979, at which point the PTO had to pay printing penalties and print approximately 15,000-20,000 less patents than it would have printed. Again, whose house is not in order?!

As to the "limited perspective" of the former PTO Commissioners, I would only note that the six former Commissioners who testified before this Committee had diverse and broad backgrounds and included men from both private and corporate practice with impressive leadership credentials and extensive management experience. Their long-standing concerns about the conditions in the PTO were vindicated by the President's recent recognition that the United States was experiencing an innovation crisis and that one of the things that had to be done to solve the problem was to upgrade the operations of the PTO. If the Commerce Department had that "big picture" prior to the President's Domestic Policy Review, it kept that picture a big secret.

If we can be of further assistance to you, please do not hesitate to advise.

Sincerely,

Donald R. Dunner

DRD:lld
cc: APLA Executive Committee
Michael W. Blommer, Esq.

STATEMENT OF ARTHUR R. WHALE,
CHAIRMAN, NATIONAL COUNCIL
OF PATENT LAW ASSOCIATIONS,
ON S. 2079

I am Arthur R. Whale of Indianapolis, Indiana. My collateral duties as a patent lawyer for nearly twenty-five years have included the presidency of the American Patent Law Association and the chairmanship of the State Bar of Michigan's Patent, Trademark and Copyright Section. I appear at your kind invitation today as Chairman of the National Council of Patent Law Associations.

The National Council is a loose federation of over forty autonomous local, state and national patent law associations and patent and trademark sections of state and local bars throughout the country. It is unusual for the National Council chairman to speak for its members in a representative capacity because of our organizational strictures against representation of fewer than all the members. However, I have sought special approval to speak on the subject of these hearings for as many member associations as possible, because I know of the strong feelings that are running in the bar concerning this legislation to establish the Patent and Trademark Office as a separate agency. I am pleased to report that <u>every</u> member association that was able to complete its organizational formalities in considering my request on short notice has advised me that it wishes to be counted as favoring the passage of S. 2079. I

have no reason to believe the substantive results will be any different when all the returns are in.

I want you to know the identify of these organizations, because they include some of the largest and most active and influential patent and trademark groups in the country. They are:

American Association of Reg. Pat. Attorneys & Agents
American Patent Law Association
Central New York Patent Law Association
Chicago Patent Law Association
Cincinnati Patent Law Association
Cleveland Patent Law Association
Bar Association of the District of Columbia
Eastern New York Patent Law Association
State Bar of Georgia, PTC Section
Houston Patent Law Association
Indiana State Bar Association
Maryland Patent Law Association
Patent Law Association of Los Angeles
New York Patent Law Association
Ohio State Bar Association
Philadelphia Patent Law Association
Pittsburgh Patent Law Association
Rochester Patent Law Association
Bar Association of Metropolitan St. Louis, PTC Section
Texas State Bar Association, Intellectual Property Section
Toledo Patent Law Association
Washington State Patent Law Association

There is also something unique I want you to know about in the support of these groups for S. 2079. I can conceive of no way that any individual in the National Council, or any individual in the practicing patent and trademark bars, could personally benefit from the separation of the Patent and Trademark Office (PTO) from the department of Commerce. I can assure you with

unqualified certitude that I bring you an unbiased and unpressured assessment based on accumulated experience and observations of the PTO as an agency of the Commerce Department. That there should be such unanimity among so many people on any issue is remarkable -- and that we find this unanimity among all these lawyers it is absolutely unique.

Backdrop

In approaching S. 2079, it is important to lay a philosophical basis that is consistent with today's realities. We realize this is no time in our nation's life to be spending money to "polish the brasswork," as we did in the old Navy I knew. It is a bad time to urge action that will cost money. But it is the very best time to get behind programs that can be cost effective if the effects we are buying will be important to the solution of important national problems or to achieving important national goals. We believe S. 2079 epitomizes this category.

There are indicators that say our innovation is flagging, because the generation of new technology has slowed, particularly as measured against our international competitors. "Innovation" is a diffuse word; I think when we are talking hard facts and soft dollars it needs definition. "Innovation" is really invention put to work. From a broad perspective, an "invention", by itself and however ingenius, is only somebody's source of self gratification or a contribution to the library of knowledge. Of course, someone may check an invention out of the library and make it into an innovation. But an invention to qualify as an

innovation must be useful in putting people to work producing things people will buy, or in providing new ways to increase productivity, or in serving a governmental function, such as national defense.

But overhanging all these efforts, of course, is inflation. While it would be presumptuous of me to talk to you about economics, even a patent lawyer knows that productivity of our industry and spending by our government are major avenues of attack on inflation. "Productivity," as measured by the economists' magic figures, is said to have gone down in this country for the first time in our history. I'm not sure what that means. But I do know that innovations that enable the American worker to turn out more product in less time by using better equipment, or to substitute less expensive parts or ingredients for those previously used, or to do old things in new ways, or to get sick people back to work sooner, or to increase yields of agricultural products -- these make it possible to stay competitive or to reduce prices or to compete more effectively here and abroad. Viewed in this way, productivity is directly related to technology and, accordingly, to investment in the development of new technology.

Reduced government spending is everybody's partial answer to inflation. But, of course, a blind cut in spending, in government as well as in industry, can reduce the dollars spent but, at the same time, diminish or destroy the effectiveness of those efforts most needed to deal, long term, with the very

problems we are addressing. If the cuts are not strategic they can be counterproductive. There may even be areas where increased expenditures are needed to increase the effectiveness of agencies or programs that have the promise of helping the fight against inflation. We are not experts in costing a new agency's operations; but we seriously doubt, considering the increased efficiencies we would envision at the PTO and reduced costs at the Commerce Department, that there would be a significant increase occasioned by the separation.

I suggest that in a real sense there is no activity of government more directly related to the solution of the long-term and related problems of productivity and inflation than is the system of patents administered by the Patent and Trademark Office. The prospects for temporary respite from copiers of the fruits of inventive labors underlies much investment in the development of technology leading to new products, new jobs, higher productivity and, ultimately, to greater competition in prices and quality.

Rationale for an independent agency

There is the danger, of course, that some of what you hear from those of us outside the PTO will sound like trivia that is susceptible of administrative correction and, therefore, bears little relevance to the issue of establishing the PTO as a separate agency. You should know, however, that the matters I will raise have been with us for many years and through many

leadership teams at the helm of the PTO. The current system demeans this country unbelievably, demeans the professionals in the PTO that try to make it work and subverts an important and in some respects critical function whose shortcomings are catching up with us.

It is persuasive to us that eight of the last eight commissioners have reached the conclusion that the time is now, as it has been for years, that the PTO be separated from the Commerce Department. Of these eight, you have seen and heard six of them and, undoubtedly have formed your views as to what kind of men they are. They have been among the best we have to offer. The last two, Commissioners Dann and Banner, had headed corporate patent departments for two of our country's major corporations. There was no better training for the job of commissioner. But you have heard Commissioner Banner's ringing indictment of the status quo and the forceful comments of Commissioner Dann to the same effect. And the others have spoken similarly of experiences and relationships of another day. Their testimony is powerfully persuasive as views from within delivered after reflection and with complete immunity from any benefit arising from the passage of S. 2079.

I would mention, too, that during the period of service of these eight commissioners whose views were presented or represented to you in earlier hearings, there have been even more numerous changes in the Department of Commerce hiarchy, including especially in the staff positions with which the PTO

is relegated to dealing on many matters. Through all these permutations of people there seldom evolved a workable relationship that endured longer than one of the incumbents.

On the other hand, this is not implausible. The Commerce Department, given its insistence on the rather complete subordination and even its distrust of the PTO leadership, is composed of agencies and functions having little or no connection with the mission of the PTO. Commerce is concerned with administering such diverse functions as the Maritime Administration, the U. S. Travel Services, the Bureau of the Census, the National Bureau of Standards, the National Fire Prevention and Control Office, the National Oceanic and Atmospheric Administration and the National Telecommunication and Information Administration. Its functions related to U. S. and foreign trade would, at first impression, suggest some commonality with the PTO. But the significance of any common interest is effectively denied in the unresponsiveness of the Commerce Department to the problems of the PTO and to its destructive intervention in PTO affairs. These have been presented to you in earlier testimony.

Much would be gained, if only from eliminating wasteful slippage, if the PTO as a separate agency could make its own representations. In particular, the budgeting process needs the direct interchange between the PTO and the Office of Management and Budget. The tales are legion on the slips in translation or transmission that have occupied high priced government officials for inordinate periods and have had devastating effects on the

money available to -- and hence the programs implemented by -- the PTO over the years. The availability of a cabinet-level spokesperson has seldom proved to be of benefit to the PTO, so far as we can determine. In fact, the relegation of PTO matters to busy and otherwise-occupied assistant secretaries and by "sequential referral" to lower staff levels has been and remains a serious problem visible even to PTO customers.

We have seen many problems shift in seriousness, as Peter is robbed to pay Paul, through several administrations in the PTO and at Commerce. There is sufficient evidence to convince us that a separate agency would be in a better position to address these and other problems. One reason is that earlier and more decisive action could be taken by eliminating the layered bureaucracy that prevents the removal of reorganization of human resources responsive more immediately as the problems arise. Another reason is that administration would truly be in the hands of experts in the matters at hand and in the substantive consequences. It is important simply to know what is important. There is need for on-hands control rather than subservience to a department whose attention and concern are measured, we believe, by the proportion of its budget represented by the PTO -- about 5%.

The Patent Office became part of the Department of Commerce in 1926. and the 1952 Patent Act conferred full responsibility for its affairs on the Secretary of Commerce. Taken with the Legislative Reorganization Act of 1948, however, anomaly developed.

This act abolished the Standing Committees on Patents of the House and the Senate and passed jurisdiction for patent legislation to the House and Senate Judiary Committees. But the Department of Commerce is responsible to other congressional groups. So the Commissioner of Patents and Trademarks theoretically answers to different congressional authority than does the Secretary of Commerce.

I say "theoretically" because on at least three occasions that have come to our attention the Commerce Department has flatly intercepted efforts of a commissioner to respond to inquiries from members of the Senate Judiciary Committee, apparently to make sure it was the Commerce line rather than the view of the government's top patent man that was transmitted. Senators McClellan and Scott had this strange experience in 1974, when they solicited Commissioner Dann's views on the Administration's patent bill, S. 2504; and Senator Bayh had a more recent experience.

The late Senator Hart was never regarded as a friend of the views of the patent bar on legislative matters. He nevertheless perceived a fundamental problem arising from the residence of the PTO in the house of Commerce. Senator Hart introduced S. 1321 in 1973 for the general revision of the patent laws and included provisions for establishing the Patent Office as a separate agency. In his introductory remarks, he said: "First, the Patent Office would be made more independent, divorcing it from the interests of the Commerce Department." In commenting on this provision, Senator McClellan, who seldom

shared Senator Hart's views on patent matters, wrote in a Senate report: "...a chronic unsatisfactory relationship has existed between the Department of Commerce and the Patent Office and... this contributed to frequent changes in the Office of the Commissioner of Patents and the instability in the administration and programs of the Office." The situation hasn't improved. One ex-commissioner has calculated that in the last ten years the office of commissioner has been vacant about 20% of the time.

The mission of the PTO is rooted in the Constitution and spelled out by Congress. It deals with highly specialized subject matter and concepts in which Commerce has no expertise. In this circumstance, again, there would seem to be special merit in a separate agency.

We do not wish to urge the needless expenditure of funds unless they appear, on sound, dispassionate analysis, to be cost effective. Nor do we pretend to have knowledge of what a separate agency would ential in terms of cost. We can only express our hope that the Congress will be persuaded the patent system is an important function to be put in good working order. It appears to us quite possible that no significant increase in expenditures would be needed. Increased efficiencies arising from more timely action in the PTO, increased time of PTO officials then available for the problems at hand rather than the care and feeding of the Commerce Department might mitigate added expense. Further overall savings are bound to result in Commerce from removal from its charge this troublesome and time-consuming stepchild.

Visible problems -- Patents

Speaking from the viewpoint of "customers" of the PTO's services, I will identify some problems we trace generally to the Commerce connection by virtue of their persistence through the administrations of a succession of competent commissioners. For example, from time to time we have seen the printing of patents delayed by months (recently so examiners could be paid). The importance here is that patents are often the first disclosures of new technologies to the public. Also, significant statutory rights commence with the issuance of the patent. Issued patents become "prior art" for citing in the Patent and Trademark Office against pending applications in the determination of patentability.

We are dealing also with the uncertain number of patents (from two to twenty-eight percent) missing from files searched to determine the patentability of inventions, validity of patents, and infringement. We are seeing entire files removed from public search facilities for reclassification and not returned for a year or more.

We are, on the other hand, living with the urgent need for such reclassification so patents can be located for all the reasons that patent searches are made. The PTO is literally years behind in this effort. We are seeing, belatedly, the citation of patents and published literature in controversies involving issued patents that should have been considered by the PTO before the patents issued.

Sometimes the charge of fraud is leveled against the patent owner (not, of course, the PTO) when a patent issues in the face

of undiscovered art. The beleagured PTO several years ago asked and then required patent applicants, in effect, to submit patents and publications that might show their invention to be unpatentable. This may seem a curious call for admissions against interests, but we are convinced that the applicants should, in fact, share what they know of the most relevant art with the examiner. After all, profound rights are conferred by a patent, and to accept those rights in the face of knowledge that they might not have been properly conferred is of serious concern. But the subjective element of "obviousness" that must be considered in assessing patentability makes it often difficult to determine what art need be cited, for the views of reasonable persons differ on this question. But the question of fraud frequently injected in patent litigation really has its origins in the inadequate facilities for searching with which the examiners must contend. One study has shown that 85% of patents challenged in court were valid with regard to those references considered by the PTO.

We see what should be the world's greatest storehouse of technology running out of space and unable to cope with the influx of U. S. and foreign patents and literature in a manner that would assure, or at least facilitate, retrieval by examiners and by the public. There is no provision for adequately storing, classifying and retrieving the 300,000 U. S. patents (including cross-reference copies and entries) and 250,000 foreign patents added to the search files each year.

We see the time permitted examiners for studying, searching, examining legal questions and responding to applicants for patents actually diminishing over past years. This is occurring in the face of the fact that the complexity of inventions generally and the volume of art to be searched have increased dramatically. In the chemical field alone, the volume of literature doubles about every ten years.

We see, from what should be the world's leading patent processing center, official arguments from examiners to inventors all over the world handwritten and transmitted in sometimes illegible carbon copies. We see two to three weeks elapse before mail gets from the point of receipt to the examiner's office. We see pending applications lost for months and even years, and we have all furnished copies of the client's original files to replace those lost in the PTO. We have seen the file histories of issued patents forever lost or stolen and not recoverable because no microfilm exists of their contents. (It then becomes impossible to furnish a true certified copy as required in court proceedings.)

We see great need for a major effort at computerizing the art in many fields for retrieval by the examiner. In fact, with all the emphasis on the communication of technology and its availability not only in the PTO but in industry everywhere, there should one day be a massive government effort in this direction, but until then much could be done with existing programs and available equipment that would make searching quicker and more sure, increase the certitude of a patent's validity and leave more examiner time for substantive argument and response.

We see the PTO induced to accept a role as a so-called Receiving Office and an Examining Office under the Patent Cooperation Treaty, which was designed to bring some unity and, ultimately, savings to patenting in major countries of the world. But the treaty calls for events to happen on an ordained schedule; and these schedules can only be met by sacrificing examiners' time in his existing pursuits, for no additional funding was provided. We see the Trademark Registration Treaty languishing in Commerce through inaction instead of in Congress years after it has been negotiated, with many other countries waiting to see what the U. S. will do.

Visible problems -- trademarks

It is our view that the trademark operations in the PTO represent a case study of a disintegrating government function. Trademarks are of great importance to companies launching new products. It is important to know if conflicting or similar marks have been registered or if registrations have been applied for on such marks before marketing plans and advertising materials are developed. It is customary for these companies to commission searches of the trademark files to determine the safety of their new marks from infringement or likely opposition by others. Procedures call for applicants for trademark registrations to receive word from the PTO when their applications are deemed in order. They are then available for public searching.

But as of June 1979, some 10,000 trademarks were awaiting processing and entry into the search files. They were, therefore, unavailable to those making searches for clients.

In August 1979 it was projected by the PTO that by 1989 it would take 7.7 years from filing to examination (and more time to availability of the marks in the search files) and 10 years to final disposition of the trademark application. We understand that money has finally been allocated to relieve the problem to some degree, but a huge backlog will still remain. This situation would, we suggest, not have developed in an independent agency that had direct access to DMB and the Congress.

Summary

On behalf of the identified constituent members of the National Council, I have tried to outline our views and give you a perspective from the customers' standpoint on the merits of S. 2079. We welcome this opportunity to express our support, as we welcome the perceptive efforts the bill represents in addressing a pivotal problem of the patent system. Other improvements in the patent system, as they are proposed, would be more effectively implemented by a separate Patent and Trademark Office. S. 1679, recently passed out unanimously by the Seate Judiciary Committee, is an example.

Finally, we draw considerable confidence in our views from the strong and unanimous positions on S. 2079 presented by and on behalf of the last eight commissioners. They came from different backgrounds but, we believe, they possessed in common the talent and vision to lead an unfettered agency into better ways. It is significant that they, as well as all of the responding members of the National Council, have independently and with no expectation of benefit other than the betterment of the system come to this remarkably consistent conclusion.

We urge the passage of S. 2079.

# NATIONAL COUNCIL OF PATENT LAW ASSOCIATIONS

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March 31, 1980

Senator Birch Bayh
United States Senate
363 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Bayh:

By letter of March 17, 1980, you asked for views on four questions that accompanied your letter. I am pleased to respond with the attached statement.

Your questions were timely and penetrating, particularly in view of the testimony you received from the representative of the Department of Commerce. We feel handicapped in not being able to answer directly much of the issues raised by Commerce, because few of us have been a direct party in the relationship between the PTO and Commerce. We rely, of course, on the testimony of the commissioners which you have already heard.

We are comfortable in this reliance for two reasons. First, the last eight commissioners, all joining in support of S. 2079, have themselves come from different backgrounds and declare different philosophies of management and even of the interpretation and role of the patent system. Of course, they have also brought different strengths and weaknesses to the job of commissioner. The office of commissioner has never been highly politicized under any president, and the choice of commissioner has been primarily based on merit, intellect, background, and professional standing.

Second, despite the professional eminence of these commissioners and our confidence in their capabilities, we have seen relatively little in the way of positive results in solving the problems of the PTO. We are unwilling to believe that these competent men did not do the best job permitted by the circumstances which they encountered. In several cases the commissioners whom you heard testify entered upon the office of the commissioner from high places in the profession from which they had advocated changes later found impossible of attainment by virtue of the Commerce connection.

I refer to references, beginning at page 3 of my statement, to the participation of the patent system in the investment in invention and innovation and to the inherent contributions to factors that counter inflation, such as increased productivity, decreased absolute costs through the development of new methods of production or new products to do the same thing, to the creation of jobs for new products, and to increased competition with our foreign competitors. In view of the special qualities of the patent system that make it important in these regards, I believe we have not sufficiently brought to the attention of the Congress what we see as a positive cost-benefit ratio and, indeed, the prospect that a more effective patent system would follow from the establishment of the PTO as a separate agency without the expenditure of funds over those required from the continued association of the PTO with Commerce.

Indeed, it seems inconceivable to me that Commerce, in view of its consistent opposition to removal of the PTO from its fold, has not made its own cost analysis of a separate agency. I am not aware that such an analysis has been produced for public view. It seems clear that the efficiencies and economies from separation would be added to the savings within Commerce itself, significant in terms of the PTO budget, resulting from the disbanding of intermediate layers of bureaucracy to tend the PTO affairs.

I hope this analysis and response will be helpful to you. Please let me know if we can help in any other way.

Very truly yours,

A. R. Whale

ARW:leb

RESPONSE TO QUESTIONS PROPOUNDED IN SENATOR BAYH'S LETTER OF MARCH 17, 1980, CONCERNING S. 2079 (THE INDEPENDENT PATENT AND TRADEMARK OFFICE ACT)

Question 1. The Commerce Department testified on January 24, 1980 that the present arrangement of Department oversight of the Patent and Trademark Office was better for the Patent Office and for the patent system. Do you agree or disagree with this assessment? Is there any evidence that you know of to support the Department's contention?

1. I disagree with the assessment that oversight of the PTO by the Department of Commerce is better for the PTO and for the patent system.

There is, however, a certain cosmetic appeal in the notion that such oversight would be beneficial. I cannot cite "evidence" in support of the department's contention, because I have not been in a position to observe the inner workings and relationships between the PTO and Commerce. My disagreement with the assessment is based on a persistent lack of progress in solving what all agree are problems that need to be solved, despite a procession of commissioners in the PTO front office.

Question 2. The Commerce Department told us at the last hearing that the crux of the present PTO problem was the inability of the Office to get its house in order and the "limited perspective" of the former Patent and Trademark Commissioners who could not perceive the big picture that supposedly concerns the Department. Do you have any comments on this assertion?

2. The assertion that the problems of the PTO are attributable to the "limited perspective" of former commissioners argues persuasively that the PTO should be a separate agency. I see this reference to "limited perspective" as going, at least in important part, to concerns of former commissioners about problems which Commerce apparently views as too parochial and insignificant to warrant remedial attention. It is true that our former commissioners have not been experts in or legitimately concerned with the "big picture" as seen through the lens of the Secretary of Commerce, who must contend with the major missions of his department and with a myriad of lesser included functions, such as the Maritime Administration, U.S. Travel Services, Bureau of the Census, National Bureau of Standards, National Fire Prevention and Control Office, National Oceanic and Atmospheric Administration, and the National Telecommunication and Information Administration. Added to this is the Patent and Trademark Office, which accounts for less than five percent of the Commerce budget. It is understandable that Commerce must perceive the "big picture" and that a small activity like the PTO is not a major component of the picture.

But although the PTO is small, it occupies a unique position of importance with respect to the nation's economy and its technological progress. Commerce apparently does not really believe that the patent system does what the Constitution says it is supposed to do, for otherwise it would, over the years, have given it stronger support. Apparently Commerce does not really believe that investment in the generation of technology is highly dependent on the prospects for dependable patent protection. The so-called lag in innovation is being viewed as necessitating many forms of nourishment, but there still seems to be only small awareness of the deplorable condition of the PTO, reflecting directly on the effectiveness of the patent system, as a critical aspect of the overall problem.

Commerce acknowledges that the PTO should be a major contributor to public policy in the area of innovation and industrial development. But its failure to perceive the "limited perspective" of the PTO underlies the diminishing effectiveness with which the PTO can and does contribute to this policy.

One criticism of the PTO by Commerce is said to be the lack of a convincing case made by the PTO in its requests for funding or the reallocation of existing funds. Yet, in testimony before your committee, Commerce has alluded, by way of example, to the problem of missing patents from search files. Seen in isolation, I am sure Commerce views this as a simple administrative problem. I can only view the Commerce position circumstantially, but I suggest that the continuation of this deficiency through several administrations of commissioners who appreciate the consequences of inadequate files suggests that Commerce is part of the problem. These commissioners have long agonized at the lack of resources to tend the search file problem, the reclassification problem, the allocation of time by Examiners for examining and other matters seemingly susceptible of easy administrative correction but of necessity addressed on the "rob Peter-pay Paul" philosophy. I believe Commerce has simply failed to take the time to understand the substantive consequences of the accumulation of these deficiencies on the patent system--its dependability, perception by the courts and stature among analogous systems of other countries.

I would point out that patents are, by statute, intended to carry a presumption of validity. That presumption can be no better than the art available to Examiners who have adequate time to search, evaluate and apply the art to the inventions in applications which they are examining. The domino theory is in full swing, for courts often criticize the PTO for its work, and patents are frequently assaulted by invention copiers who know they have a fair shot at finding some art to convince an already-doubting judge that the patent at issue and the patent system itself are not worth taking seriously.

In the face of a deteriorating patent system, the Commerce representative says that justifying data for expanding the quality review program in the examination process were inadequate. I suggest that the data, easy to develop from the fate of patents in the various judicial circuits and judicial commentaries on the patent system, were probably adequate but that the understanding of the consequences of poor quality patents was missed in the "big picture."

Finally, it is true that the functioning of the patent system, beginning with the PTO, is not easily perceived because it is inherently complex. This complexity begins with the patent statute itself, requiring that inventions not only be new but be unobvious. Add to this the fact that the complex examination process, including interferences and appeals, must then be applied to inventions representing the newest in all technologies. This requires an organization that can only be managed from within and by those of suitable experience and training in technology, management and the law. An outside "board of directors" with part-time interests in these complexities, and through whom the needs of the PTO must be transmitted and explained, has not produced a successful result.

Question 3. There are private signals being given out by the Department that they now see the error of their ways and will do a better job from here on out if the PTO is just left under their care. Would you feel comfortable as members of the patent bar if the present arrangement was continued after the Department promised to do better? Have you ever heard similar promises in the past, and if so what was the result?

3. A renewed commitment in Commerce will, I predict, have little present and no future benefit for the patent system. The other demands on the assistant secretary responsible for the PTO would remain large in his vision. History has not seen assistant secretaries interested in devoting the time and resources to the improvement of the PTO.

I am not acquainted with past promises of Commerce to deal more understandingly with the PTO. I can readily suppose, however, that this has occurred, only to revert to a "subcommittee" approach within the Department to listen to the PTO.

Question 4. One criticism that could be made against S. 2079 is that it is in the interest of the patent bar to make the PTO independent so that they could have more control over it. How would you respond to this charge?

4. It can positively be asserted that it is in the interest of the patent bar, in my view, to create the PTO as an independent agency. The reason is that the patent system with which we work is our professional world, and where we see it functioning poorly or being administered ineffectively we are moved to action. In the recent past, there has been an attitude of frustration over the decline of the patent system. But we believe the concern of the patent bar is entirely consonant with the national interest and what should be a public policy to make sure our patent system does what it is supposed to do.

Does the patent bar want an independent agency so it can exercise greater control? Yes, to the extent an independent agency would give us a better patent system in the ways outlined by bar representatives and former commissioners. No, in the sense that we want to exercise control over agency operations that would bring individual and special benefits to patent lawyers or to our clients apart from participation in the general benefit to the public from an improved patent system.

One important quality of the patent bar which is frequently overlooked or disbelieved is the truly balanced perspective represented within the bar as to patent legislation, patent policy, and the administration of the PTO, given as a basic premise the desirability of a strong patent system for this country. For example, the patent bar is rather evenly divided between patent lawyers associated with private corporations and those with private firms. Among those serving private corporations are lawyers with major corporations and with corporations of intermediate size. Among those in private practice are lawyers representing individual inventors and small businesses, as well as the intermediate size and large corporations. In the assertion, licensing and litigating of patents, there are always patent lawyers on both sides of the questions, meaning that there are lawyers contending both for and against the patents and advancing arguments and urging precedents both for and against patent validity and for and against specific bases, arguments and statutory interpretations.

Although only a small percentage of patents reach the litigation stage, it is the accumulation of legal precedents over the years that guides the interpretation and disposition of patents in licensing matters and disputes that are in far greater numbers than the courts ever see. And it is the reliance on the patent system as viewed against these precedents that guides the assessment of the prospects for patenting and for enforcing patents and, ultimately, in large measure determines the investments in inventive efforts susceptible of patenting.

It is not the interest of the patent bar to "control" the PTO in the manipulative sense; nor does it lie within the capacity of the diverse interests represented within the patent bar to exercise such control if it wanted to. The fact that support within the patent bar for S. 2079 is virtually unanimous, in view of this diversity, testifies to its soundness and to the great need for its enactment.

A. R. Whale

March 31, 1980

STATEMENT OF AMERICAN BAR ASSOCIATION

Hearings on S.2079
United States Senate
Committee on Governmental Affairs
Committee on the Judiciary
March 12, 1980

Mr. Chairman, my name is Morton David Goldberg, and I am a partner in the New York City law firm of Schwab, Goldberg, Price and Dannay. I am Chairman of the Section of Patent, Trademark and Copyright Law of the American Bar Association and appear on behalf of the Association at the request of the President, Leonard Janofsky.

There are over 9,000 patent and trademark attorneys in the United States. Over 5,000 of these are members of the American Bar Association Section of Patent, Trademark and Copyright Law. The American Bar Association has a total membership of over 250,000 attorneys.

Both the Section of Patent, Trademark and Copyright Law and the American Bar Association itself support legislation making the Patent and Trademark Office a separate and independent agency. At its recent mid-winter meeting in Chicago, the American Bar Association House of Delegates passed the following resolution:

> RESOLVED, That the American Bar Association favors enactment of S.2079 (96th Congress) or similar legislation which would recognize that strong patent and trademark systems are vital to the economy of the United States and would favor removal of the United States Patent and Trademark Office from the Department of Commerce and would make it a separate and independent agency.

In the Legislative Reorganization Act of 1948 the House and Senate Standing Committees on Patents were abolished and jurisdiction over patent legislation was given to the Judiciary Committees. This has resulted in the actions of the Commissioner of Patents and Trademarks, the Presidential appointee who heads the Patent and Trademark Office, being subject to review by the Judiciary Committees, while actions of the Commissioner's superiors in the Department of Commerce, to whom he must respond and with whose directives he must comply, are reviewed by totally different groups within Congress.

Those persons with the Department of Commerce and the Office of Management and Budget, through whom the Patent and Trademark Office presently must work, although clearly well intentioned, are not knowledgeable of patent and trademark procedures or law. Nor do they have direct experience in the operation of the Patent and Trademark Office. Thus, they cannot fully appreciate the impact of their decisions affecting the Patent and Trademark Office. As a consequence decisions by Congress pertaining to the Department of Commerce, but affecting the Patent and Trademark Office, are based upon information supplied by the Department of Commerce and not by those most knowledgeable of the patent and trademark systems.

This proposed legislation would permit the Commissioner of Patents and Trademarks to be heard in those quarters where legislative and budgetary questions directly affecting his ability to carry out his assigned responsibilities are debated

and decided. The bill also calls for a fixed term for the Commissioner. This will provide greater stability in that position and will eliminate the problem of frequently occurring periods in which the United States is without a Commissioner of Patents and Trademarks.

The work of the Patent and Trademark Office affects the business community, the scientific community, the consuming public, and the economy of the United States as a whole. It plays a vital role in stimulating innovation in our country--innovation which is sorely needed at this critical time. In his October 31, 1979 statement to Congress on his Industrial Innovation Initiatives, President Carter said:

> Industrial innovation -- the development and commercialization of new products and processes -- is an essential element of a strong and growing American economy. It helps ensure economic vitality, improved productivity, international competitiveness, job creation, and an improved quality of life for every American.
>
> * * *
>
> Patents can provide for a vital incentive for innovation, but the patent process has become expensive, time-consuming, and unreliable. Each year, fewer patents are issued to Americans.

Thus, the need for an improved, effective and efficient patent system has been recognized in the highest quarters. In order to obtain such a patent system, it is imperative that there be an improved, effective and more efficient operation of the Patent and Trademark Office. Independence of the Patent and Trademark Office would promote such improved effectiveness and efficiency.

It is particularly telling that every living former Commissioner has strongly supported separation of the Patent and Trademark Office from the Department of Commerce, as is exemplified by their testimony before Congress. Each of these former Commissioners has considerable expertise and experience in patent and trademark matters and in the operation of the Patent and Trademark Office, as well as experience and familiarity with the needs of United States business and industry. They perhaps are the most qualified persons to comment upon the effect of our patent and trademark systems on the economy of the United States.

It is also quite significant that the American Bar Association's Patent, Trademark and Copyright Law Section, which consists of attorneys from private practice, corporate practice and government who deal regularly with the Patent and Trademark Office and the patent and trademark system, overwhelmingly support separation of the Office from the Department of Commerce.

The work of the Patent and Trademark Office needs no supervision by the Department of Commerce. In examining and rendering decisions upon applications for patents and for registration of trademarks, the Patent and Trademark Office clearly performs a quasi-judicial function. Most, if not all, of the other governmental agencies performing quasi-judicial functions have independent status. Those personnel of the United States Government performing quasi-judicial functions must be free to perform them without interference from any

other governmental entity. Making the Patent and Trademark Office an independent agency would free it from such interference, would aid in improving the quality of issued patents, and would revitalize the procedures for clearing and registering trademarks, thus promoting fair and strong competition in the United States.

Present operation of the Patent and Trademark Office is hindered by numerous problems. Typical of these are:

* Numerous patent search files with large numbers of patents missing. As a consequence it is impossible for investors to accurately estimate the likelihood of obtaining patent protection on new innovations. Likewise, industry cannot determine adequately whether proposed new products infringe existing patents. Patent Examiners cannot thoroughly perform their important function of determining whether patents should be granted on applications, and so industry cannot rely adequately on the patents it does receive.

* Inability of businessmen to conduct meaningful trademark searches due to obsolete search systems. This leads to erroneous business decisions on the use of trademarks on new products from United States industry.

* Inadequate personnel are available to perform routine functions within a reasonable time. Consequently, the time required for examination and completion of work on applications for patents is unduly long.

* Delays in obtaining opinions from the Trademark Examiners on applications for registration of new trademarks. As a result American business delays commercialization of new products.

* Lack of authority for the Commissioner of Patents and Trademarks to reallocate budgeted funds to different missions when the necessity for such reallocation becomes known only long after budget forecasts have been submitted by the Office to the Department of Commerce. Therefore, as needs shift over the course of a year, the Patent and Trademark Office is unable to fully respond.

These problems, and others, impede the incentives which American industry needs to justify research and development expenditures.

In evaluating the performance and the requirements of the Patent and Trademark Office, the Department of Commerce makes unrealistic estimates of its production capabilities and

needs. Those needs of the Patent and Trademark Office which are recognized are given low priority by the Department of Commerce when it presents its overall programs and requests. The Commissioner of Patents and Trademarks is required to support what the Department perceives as the Administration's programs, which often subjugates the needs of the Patent and Trademark Office to those of other entities within the Department. Thus, the spokesman for the Patent and Trademark Office is unable to freely communicate its needs to Congress.

Establishing the Patent and Trademark Office as a separate and independent agency would free the Patent and Trademark Office from the restraints imposed by its present low priority position within the Department of Commerce. On behalf of the American Bar Association and its Section of Patent, Trademark and Copyright Law, I strongly urge enactment of this legislation.

AMERICAN BAR ASSOCIATION

SECTION OF PATENT TRADEMARK AND COPYRIGHT LAW

1155 EAST 60TH ST., CHICAGO, ILLINOIS 60637 TELEPHONE (312) 947-4000



April 14, 1980

The Honorable Birch Bayh
United States Senate
Washington, D.C. 20510

Re: S.2079, The Independent Patent and Trademark Office Act

Dear Senator Bayh:

I was pleased to have the opportunity to present the views of the American Bar Association and its Section on Patent, Trademark and Copyright Law at the hearings March 12, 1980 on S.2079. I also appreciate the opportunity to provide answers to the specific questions you have sent me with your letter of March 18, 1980.

For convenience, I set forth each question, and then my response.

Question 1. The Commerce Department testified on January 24, 1980 that the present arrangement of Department oversight of the Patent and Trademark Office was better for the Patent Office and for the Patent system.

Do you agree or disagree with this assessment?

Is there any evidence that you know of to support the Department's contention?

Answer. I firmly disagree with the Commerce Department's position. Indeed, the present arrangement is what has led to the present problems. Under the present arrangement, the Patent and Trademark Office has continually suffered from an inability to make its needs heard and from budget inadequacies. Considerable delay, confusion and difficulty are felt to result from the present existence of numerous layers of bureaucratic review by people not particularly knowledgeable of the Patent and Trademark Office or the American patent and trademark systems.

I know of no evidence to support the Department's contention, but I can present evidence to the contrary.

On October 31, 1979, the President announced that legislation would be submitted to provide innovation initiatives and that this legislation would include a statement on patent policy. The PTO promptly submitted its proposals to the Department of Commerce but it was not until approximately five months later that the Department of Commerce finally presented an Administration bill in an attempt to carry forth the President's statement.

In 1973, the Trademark Registration Treaty was negotiated. Proposed implementing legislation was prepared but never submitted to Congress. As a result of delays within the Department of Commerce, seven years have elapsed and Congress still has not had an opportunity to consider the Treaty and the required legislative changes.

The marked drop in effectiveness of the Patent and Trademark Office in the past three years is a direct result of budget cuts and of the lack of understanding by the Department of Commerce of the operation at the Patent and Trademark Office. It is not understood how the Commerce Department can contend that the Department oversight of the PTO is for the benefit of the PTO in view of the history of continued reduction of the budgets requested by the Commissioner. While the information regarding handling of the budget is scant, it is of public record that in Fiscal Year 1979, the Patent and Trademark Office submitted a budget request in the amount of $96,910,000, whereas the budget submitted to Congress was only $94,753,000. Of much greater significance is the budget cut which occurred in Fiscal Year 1981. The Patent and Trademark Office submitted a budget request of over $124 million whereas the budget Commerce recommended to OMB was pared down to $112.6 million and the budget eventually submitted to Congress was only $113.2 million, a cut of approximately $11 million--and at a time when the work being demanded of the Patent and Trademark Office was increasing and the efficiency of operation and effectiveness of the services provided by the PTO was dropping drastically. These cuts were made without the Commissioner being able to communicate directly with OMB or Congress.

Not only was the budget cut, but the Patent and Trademark Office was specifically directed by the Department to reduce its staff in certain areas, such as its mailroom. As a result of these staff reductions, the delays in making available to the public information about pending trademark applications has become so intolerable as to reduce the significance of the Trademark Office Search Room records to minimal levels. This greatly affects the ability of American industry to promptly market its new products and to market those products with some degree of assurance that it is not violating the rights of others.

In Fiscal Year 1979, there was insufficient money to pay the Patent Examiners' salaries due to a budget error. The Department ignored the pleas of the PTO for many months, resulting in the PTO having to curtail printing of patents, to the detriment of the public and the patent owners, in order to pay the Examiners' salaries.

Procurement of badly needed equipment and services is delayed by virtue of the multilevel structure now involved and that delay results in greater costs and inefficiencies. For example, the Patent and Trademark Office had money allotted to it to obtain data processing facilities in order to help it keep pace with increased demands. However, as a result of Department delays and complications, such facilities were not acquired, and are still being investigated with costs being inflated steeply.

The above represents a small sample of the disadvantages of having the Department oversee the Patent and Trademark Office. The continued actions of the Department reflect the Department's priorities, considering all of its many responsibilities, rather than the priorities of the Patent and Trademark Office. I believe that in view of the importance of the patent and trademark system to this nation, especially under current conditions where United States leadership in technology is being reduced and may be lost in the 1980's, the patent policy and the priorities of expenditures ought to be decided by Congress, not the Department of Commerce. Congress ought to have direct access to spokesmen from the Patent and Trademark Office who can best answer the hard questions about the operation of the Office and the effectiveness of the patent and trademark system.

Question 2. The Commerce Department told us at the last hearing that the crux of the present PTO problem was the inability of the Office to get its house in order and the "limited perspective" of the former Patent and Trademark Commissioners who could not perceive the big picture that supposedly concerns the Department.

Do you have any comments on this assertion?

Answer. While there is much to be done at the PTO in order to "get its house in order," the major impediments appear to be inadequate budget and the unresponsiveness of the Department of Commerce. While the PTO Commissioners individually may not have sufficiently broad background to perceive the "big picture" that supposedly concerns the Department, it must be observed that there is a Patent and Trademark Office Advisory Committee, which includes non-patent oriented individuals who have the broad background required. The Committee's charter is to advise the PTO.

Furthermore, we believe that on matters as important as fostering invention, maintaining the nation's technological lead and improving the economy, it is up to Congress to evaluate the "big picture" and decide priorities, not the Commerce Department. Under the present arrangement, Congress has no opportunity to obtain the PTO position; Congress only hears the Commerce Department's view.

Any complaint by the Department of Commerce that the PTO is unable to get its house in order is inappropriate and misplaced. For example, the PTO Advisory Committee, together with the PTO, submitted plans for important organizational revisions to the Department, only to find that implementation of the suggested revisions still has not been acted upon. These plans were prepared by those intimately familiar with the operation of the PTO upon the advice of an independent public advisory committee which could reap no personal gains from the suggested reorganization.

Furthermore, it is incomprehensible to blame the PTO for not getting its house in order when it is the Department which specifically, and in detail, determines how the budgeted funds are to be spent. Discretion is not the pleasure of the PTO.

It is suggested that, rather than the PTO having a limited perspective, the Department is so absorbed in the "big picture" as it interprets it, that the Department is unable to perceive the needs of the PTO. Indeed, the Department of Commerce is believed to have a limited perspective of the patent and trademark systems and of how best the PTO can be administered so as to encourage innovation and competition in the American marketplace.

The PTO Commissioners have been men of considerable experience in patent and trademark matters and in the requirements of American industry. They have been familiar with the requirements and the unanswered needs of the patent and trademark system as a whole and with the PTO through direct personal experience. They gained this experience during years as Chief Patent Counsels of, or during representation of, competitive, innovative and economically successful American corporations.

Support for the concept of an independent Patent and Trademark Office comes from substantially all those who deal with the American patent and trademark systems, including corporate and private practitioners represented by the American Bar Association, the American Patent Law Association and nearly every regional, state and local patent association in the country. While these people can be considered to have a "limited perspective," no one

better understands the needs of the system and for the system than people with the experience represented by our PTO Commissioners, and the members of the various associations which have commented upon the importance of making independent the Patent and Trademark Office. As long as this nation is committed to a patent and trademark system, to consider the views of so many knowledgeable practitioners and users of the patent and trademark systems to be of "limited perspective," approaches the ludicrous.

Question 3. There are private signals being given out by the Department that they now see the error of their ways and will do a better job from here on out if the PTO is just left under their care.

Would you feel comfortable as a member of the Patent Bar if the present arrangement was continued after the Department promised to do better?

Have you ever heard similar promises in the past, and if so, what was the result?

Answer. Ever since 1948, when the statutory powers of the Commissioner of Patents were transferred to the Secretary of Commerce, the effectiveness of the Patent and Trademark Office (then Patent Office) has been reduced due to the reduced attention focused on the PTO by Congress and OMB because of the inability of the PTO to communicate directly--indeed at all--with Congress and OMB. The multitude of problems which have been occurring have continuously caused the PTO, industry and the patent bar to make its feelings known. However, experience has shown that the Department of Commerce was unresponsive to the needs of the PTO despite these cries of concern. Indeed, it was not until the hearings on S.2079 that the Department of Commerce showed any concern for the deplorable conditions at the PTO.

It is my belief, as well as the belief of many others who have been involved in attempting to improve conditions at the PTO, that the only reason the Department of Commerce has become somewhat responsive recently is because of the concern for the seriousness with which S.2079 is being considered. It is feared that without the pressure of these hearings and the possibility that the PTO will be made an independent agency, the inattention suffered by the PTO within the Department will continue because of the relatively low priority position in which the Department of Commerce has placed the PTO, as has been exemplified by its action, or lack of action, for the past several years.

More importantly, although the present administration may improve the situation which has existed at the PTO, there can be no assurance under the present arrangement that a future administration will not revert to the previous deplorable situation. The only way to assure the Patent and Trademark Office the voice it needs in the management and budgeting of its own affairs and in the ability to communicate its needs directly to Congress and OMB, both now and in the future, is to make the Patent and Trademark Office an independent agency.

Question. 4. One criticism that could be made against S.2079 is that it is in the interest of the Patent Bar to make the PTO independent so that they could have more control over it.

How would you respond to this charge?

Answer. The patent and trademark bar has no control over the Patent and Trademark Office and does not wish such control. The concern of the patent and trademark bar is to improve the patent and trademark systems for the good of the nation so that they properly operate, as was intended by our founding fathers, to enhance the nation's economy and to provide the proper incentives to inventors and industry.

The concern of the bar is to properly represent its clients in a manner as to allow its clients to properly use and benefit from the patent and trademark systems. This includes both receiving rights to which their innovation entitles them and benefitting from the technological disclosures of patents promptly and properly issued to others. As a result, the bar is deeply concerned at the deplorable operating conditions at the PTO because it believes that the result of such conditions is having a serious adverse effect upon the health and wealth of the United States. The bar's position favoring an independent Patent and Trademark Office is based upon its belief of the need to obtain the services which the PTO offers, both timely and accurately. That the actions of the bar represent the best interests of this nation is best illustrated by the fact that the bar's position is overwhelmingly supported and approved by large companies, medium sized companies, small companies and individuals alike.

It must be remembered that the PTO's activities are controlled not by the dictates of an individual manipulated by the bar, but by statute. While the PTO can recommend statutory changes, it is up to Congress to make these changes and certainly everyone concerned with the effect of the recommended changes would have a right to speak with Congress. Clearly, if the Department of Commerce, and other interested parties, disagree with any statutory change proposals of the PTO, they have the right and ability to present their views to Congress so that Congress can make the proper choice.

Whether or not the question may arise concerning agencies which are "regulatory" in nature, no question arises concerning the PTO as to any exercise of control by the "regulated" over the "regulators": under its governing statute, the PTO is not a "regulatory" agency. Like the courts, it has no powers to reach out to regulate or investigate industries, companies or individuals.

It is believed that S.2079 places the Patent and Trademark Office and the Commissioner in positions in which they can best exercise the independence which their quasi-judicial functions require. They will not be beholden to the patent and trademark bar, nor restrained by that bar as they now are by the Department of Commerce.

In closing, I would like to express the appreciation of the American Bar Association and of the patent and trademark bar as a whole for your interest in the American patent and trademark systems, and I would like to again urge you and your colleagues to pass this most important piece of legislation.

Respectfully,

Morton David Goldberg

Morton David Goldberg
Chairman, Section of Patent
Trademark and Copyright Law,
American Bar Association

MDG/pab

Senator BAYH. Our next witness is Mr. Louis M. Gibson, president of the U.S. Trademark Association, from St. Louis, Mo.

I yield to Senator Danforth.

Senator DANFORTH Thank you, Mr. Chairman. I am delighted at the occasion. I am a strong supporter of this bill, and I am glad we have some St. Louis support.

I might say, Mr. Chairman, that I wrote a letter to a number of, I think, very knowledgeable people in my State concerning this bill, asking for their views, and the response that I received has been both voluminous and very, very supportive. I think that it is fair to say that throughout the country—if not in Washington—there is a very strong feeling that, first of all, all is not well in the Patent Office, and that, secondly, this bill is a very good and well thought out answer to a problem which has had a major effect on America's creative capacity.

Senator BAYH. Thank you, Senator Danforth.

Gentlemen, good to have you with us. Mr. Gibson, you may proceed.

## TESTIMONY OF LOUIS M. GIBSON, PRESIDENT, U.S. TRADEMARK ASSOCIATION, ACCOMPANIED BY ROBERT O'BRIAN, EXECUTIVE VICE PRESIDENT

Mr. GIBSON. Thank you, Mr. Chairman. My name is Louis Gibson, and I am Trademark Counsel for Monsanto Co. in St. Louis.

Senator THURMOND. Could I ask you, is that the same Monsanto that has a plant in South Carolina?

Mr. GIBSON. Yes.

Senator THURMOND. I would be very interested in what you have to say.

Mr. GIBSON. I am accompanied by Mr. Robert O'Brian, trademark counsel for Bristol-Meyers in New York. Mr. O'Brian is also executive vice president of the U.S. Trademark Association.

Senator BAYH. Is that the same Bristol-Myers that bought the Toni plant in Evansville, Ind.

Mr. GIBSON. Yes.

Senator BAYH. Got a couple experts here, Strom. [Laughter.]

Mr. GIBSON. We are both here this morning on behalf of the USTA. We have about 1,500 members. These members are corporations and law firms. Our membership owns or represents the owners of the majority of all the registered trademarks through the world. Our membership comprises a majority of the Fortune 500 companies, as well as many small companies.

Senator BAYH. Excuse me, who did you say your organization represents?

Mr. GIBSON. Members of our organizations own or represent the owners of the majority of all the registered trademarks in the world.

Our association is committed to the premise that the Patent and Trademark Office must be capable of effectively performing in a timely manner the services for which it was established. We feel that the separation of the PTO would promote this kind of performance.

The association has taken a strong position favoring the separation bill, and our board of directors has passed a resolution favoring it.

Due to the fact that the name of this agency is the "Patent and Trademark Office," there is a belief among many laymen that the purposes and functions of patents and trademarks are closely related. Patents and trademarks are quite different, and it is only by coincidence that they are administered by the same agency. The trademark problems are unique, and are only related to the patent problems because of the same fundamental disease—inadequate funding, lack of attention from the Department of Commerce, and lack of knowledge about the Trademark Office on the part of the Department of Commerce.

Based upon prior neglect that has directly led to the present sad state of affairs, it is clear that the Department of Commerce has little knowledge of either the purpose or the operation of the PTO. This basic lack of understanding on the part of Commerce has made it impossible for the Trademark Office to function efficiently as an agency designed to serve the public in establishing and protecting trademarks.

The selection and registering of a name for marketing purposes is vital to all businesses. It affects every individual or company desiring to do business in this country. The delays and inefficiencies of the present operation make this selection and registration process extremely difficult for everyone, but it is particularly difficult for individuals and small companies that just are less equipped to cope with it than are large companies.

In order for anyone to sell a product or offer services in which he hopes to obtain repeat business, he must offer that product or service under a name that will be exclusive to him. He must be able to continue to use that name so that he can build goodwill and

a reputation. However, for new products and services, this is becoming an impossible task.

There are two key factors that make it difficult to obtain a sound trademark position in a timely fashion. One involves a determination as to the availability of a proposed new trademark via a search of the Trademark Office records, and the other involves the length of time required by the Trademark Office to accept or reject an application.

In order to determine the availability of a proposed new trademark it is necessary to search the records of the Trademark Office to identify possible conflicts. However, the search facilities in the Trademark Office have been allowed to deteriorate to such a degree that the results of a search are of little value. This deterioration of the search facilities causes unnecessary uncertainty in the selection of a new trademark and results in the filing of trademark applications that would not otherwise be filed. This in turn leads to increased litigation with trademark owners who have acquired earlier rights. It results in loss of time and money due to the necessity of changing names in midstream when a newcomer unexpectedly encounters conflicting prior rights.

The second factor relates to the time delays that have increased to an unprecedented level. In 1977 the Trademark Office could make an initial examination of a trademark application within 3 months. This period has now grown to 12 or 14 months, and it is anticipated that it will require 7 years by 1985. This projection of 7 years for an initial review of an application is based upon Commerce continuing with its policy of giving low priority to Trademark Office programs and requests. Whether the wait is more or less than 7 years, business cannot delay the introduction of new products these long periods of time to determine whether a product can be sold under a particular name.

This inefficiency stifles the growth of the economy. Every business—large or small—is affected by these delays. They make it particularly difficult for a small businessman to introduce a new product in competition with established brands.

The trademark examining corps has been reduced from about 70 to 39, while the number of trademark applications have increased up to 70 percent. In the face of these kinds of figures, the Commerce Department reduced the budget. Every study made by our association reveals that the basic roadblock lies in the fact that the Trademark Office has not been granted the right to convey its true state of affairs to the people who make the legislative and budgetary decisions affecting trademark operations.

The vast majority of trademark owners would be willing to pay substantially higher fees for an efficient trademark operation. If operated as an independent agency, our association would support a substantial increase in fees. This would result in a decrease in the overall cost of the operation to the government and permit a substantial increase in the Trademark Office's budget.

It is imperative that the environment of the trademark operations be improved. The failure to do so has seriously damaged the morale of trademark personnel. At a time when skilled people should be developed and trained, the young talent is being frus-

trated to the extent that they prematurely leave, thus creating an even more inefficient operation due to inadequate staff.

There has been mention of the testimony of the prior six Commissioners. I won't go into that other than to comment that that kind of unanimity should speak very forcefully toward this exact question.

The PTO needs no supervision from the Department of Commerce. This proposed separation legislation would permit the Commissioner to deal directly with the legislative and budgetary questions affecting the operation of his office. This ability to deal with its problems and to communicate directly with Congress will promote the effective and efficient operation of the Trademark Office.

At the time I prepared my formal comments, some 10 days or so ago, I said somewhere in here that the trademark operation had reached a crisis situation. That was true then. In the interim, it has become a great deal worse. For all practical purposes, the Trademark Office of the PTO has ceased to function as of 10 days ago. I don't think it would be an overstatement to say it is almost down the tubes, in joining the countries where registration requires 8, 10, 12, maybe 15 years. I say this because the Official Gazette at the Trademark Office is no longer being published. That is a statutory requirement. This has to be published. But it isn't being published. The last one was published January 19—in any event, I got it the day before yesterday, and it was out of phase—they skipped 1 or 2 weeks. This can be traced directly back to the budgetary problems with Commerce and the fact that the trademark operation couldn't afford to go to the Government Printing Office to get the Official Gazette printed. Instead, they went to an outside source because they could save $300,000. An outside source can't handle this.

In view of the fact the Official Gazette is not being published at this point in time, there is no notice as to the applications that have passed through prosecution. There can be no opposition because publication is necessary for opposition. I don't know, but I would suppose that this is backing up into the examining corps and giving the examiners the feeling, "Why bother?" Even if they examine an application, even if they pass it to publication, it is not going to be published. There are people out there waiting to get their registration so they can license them. There are people out there waiting to sue on infringement. But they don't have a registration because they can't get it published. It may be necessary to publish somewhere in the area of 15 to 16,000 trademark applications in one volume. If that has to happen, there is absolutely no way the Trademark Trial and Appeal Board can cope with the work load that will be generated by all the oppositions, about 16,000 applications published at one time.

So in respect of the trademark operation, in any event, the crisis is here.

I have mentioned budget, and my colleagues who preceded have mentioned budget. And that is important, but it may not be the most important factor. The most important factor could well be the right of highly specialized agencies to have a voice in it's own affairs. Most general lawyers have only a slight, if that, knowledge of patents and trademarks. If general practitioners have little

knowledge of this area, it follows that laymen in the scientific and technical area, as in the scientific area of Commerce, would have even less knowledge and less sensitivity to the issues and problems of the PTO. I feel that is especially true in connection with trademarks which are not based upon either science or technology. Patent practitioners almost always have some knowledge of trademarks, but scientists rarely do. There is, I feel, a demonstrated need for the PTO to have a voice in Congress, to have a voice in resolving its own fate.

It is a position of the U.S. Trademark Association nothing short of creating an independent agency will remedy the situation. We echo all the statements of our colleagues who preceded us this morning, and our Association, whose members comprise the single most active force in the trademark field, wholeheartedly support this separation legislation.

Thank you, gentlemen.

Senator BAYH. Thank you very much. I appreciate the way you have analyzed this. You brought in another segment really of the whole patent/trademark picture.

I may have a question or two I want to submit in writing.

Mr. GIBSON. Yes, sir.

Senator BAYH. In deference to others, before we have to give up this room, I hope you will forgive me by just having you answer those questions in writing.

Senator Danforth.

Senator DANFORTH. Mr. Chairman, I want to ask a question. I am sorry I came late and have to leave early, but I did want to hear Mr. Gibson's testimony.

The whole field of patents and trademarks is somewhat arcane. It is a separate field of law. Those of us who practiced law in a more general sense never really knew what was going on in the patent and trademark area. But a company such as Monsanto, as an example, is highly dependent on innovation, on research, on technological improvement. It is our understanding that a great deal of what you do and a great deal of our prospects for the future growth in your industry are dependent on technological innovation and scientific advancement.

Is the effective operation of the Patent and Trademark Office related to how well you do your business? Is it fair to say that an ineffective Patent and Trademark Office has a hindering effect on technology development, research and development, know-how in America, or is it just the sort of thing that maybe is of some passing interest to those who are experts in this arcane field, but really doesn't affect the country as a whole?

Mr. GIBSON. Senator, I think it is more than a passing interest. It is more than that. There is a very direct correlation. There is a gentleman in this room who can speak to that more, the director of the Patent Department of Monsanto Co. But I might say from my nontechnical point of view, that the bottom line would be why should a company spend, arbitrarily, 10 years, many, many, many millions of dollars in developing a product if upon development and sale anyone else in the world can pick it up and use it with absolutely no expenditure of the time, effort or money? We must have a patent position. And without an efficient operation, I think,

again, I can only echo what my patent colleagues said earlier this morning, technology, the innovative process has got to suffer. That in turn is going to have a direct bearing on the licensing of technology, the sale of products both in this country and in exports. We are talking about something that, in the long term, is even going to affect the balance of payments.

Senator DANFORTH. Thank you very much.

Thank you, Mr. Chairman.

Senator BAYH. Thank you very much, Mr. Gibson.

Mr. GIBSON. Thank you.

[Mr. Gibson's prepared statement and responses to written questions from Senator Bayh follow:]

STATEMENT OF

THE UNITED STATES TRADEMARK ASSOCIATION

Hearings on S.2079
United States Senate
Committee on Governmental Affairs
Committee on the Judiciary

March 12, 1980

My name is Louis Gibson and I am Trademark Counsel for Monsanto Company in St. Louis. I am President and Chairman of the Board of The United States Trademark Association and appear on behalf of that Association.

The United States Trademark Association (USTA) represents nearly 1500 corporations and law firms. Our membership owns or represents the owners of the majority of all the registered trademarks in the world.

The fundamental aims of our Association are to promote and further the trademark concept, to protect the rights of trademark owners, and to acquaint business, educators, the press and public with the proper use of trademarks.

Our Association is committed to the premise that the Patent and Trademark Office (PTO) must be capable of effectively performing in a timely manner the services for which it was established. The separation of the Patent and Trademark Office would promote such effective and timely performance.

At its September 1979 meeting, the Board of Directors of the USTA passed the following resolution:

> RESOLVED, That The United States Trademark Association supports the proposal that the Patent and Trademark Office be established as an independent agency of the government and that it be removed from the Department of Commerce.

Due to the fact that the name of this agency is the "Patent and Trademark Office" (PTO), there is a belief among many laymen that the purposes and functions of patents and trademarks are closely related. Patents and trademarks are quite different and it is only by coincidence that they are administered by the same agency. The trademark problems are unique, and are only related to the patent problems because of the same fundamental disease -- inadequate funding, lack of attention from the Department of Commerce, and lack of knowledge about the Trademark Office on the part of the Department of Commerce.

You have learned from various sources that the Trademark Office has deteriorated to an alarming degree. This situation has developed over a period of time, and has now reached a crisis position that desperately needs attention - attention which has not been forthcoming from the Commerce Department.

Based upon prior neglect that has directly led to the present sad state of affairs, it is clear that the Department of Commerce has little knowledge of either the purpose or the operation of the PTO. This basic lack of understanding on the part of Commerce has made it impossible for the Trademark

Office to function efficiently as an agency designed to serve the public in establishing and protecting trademarks.

The selection and registering of a name for marketing purposes is vital to all businesses. It affects every individual or company desiring to do business in this country. The delays and inefficiencies of the present operation make this selection and registration process extremely difficult for everyone, but it is particularly difficult for individuals and small companies that are less equipped to cope with it than are large companies.

In order for anyone to sell a product or offer services in which he hopes to obtain repeat business, he must offer that product or service under a name that will be exclusive to him or his company. He must be able to continue to use that name so that he can build goodwill and a reputation which will permit his business to flourish. However, for new products and services, this is becoming an impossible task, because of the deterioration of the Trademark Office.

There are two key factors that make it difficult to obtain a sound trademark position in a timely fashion. One involves a determination as to the availability of a proposed new trademark via a search of the Trademark Office records, and the other involves the length of time required by the Trademark Office to accept or reject an application for the registration of a trademark.

In order to determine the availability of a proposed new trademark it is necessary to search the records of the Trademark Office to identify possible conflicts. However, the search facilities in the Trademark Office have been allowed to deteriorate to such a degree that the results of a search of the records is of extremely dubious value. This deterioration of the search facilities causes unnecessary uncertainty in the selection of a new trademark and results in the filing of trademark applications that would not otherwise be filed. This in turn leads to increased litigation with trademark owners who have acquired earlier rights. It also results in loss of time and money due to the necessity of changing names in mid-stream when a newcomer unexpectedly encounters conflicting prior rights.

If there was ever an area that lends itself to computerization, it is the field of trademark records. Yet in a country that is the world's leader in computers, massive delays have been encountered in the efforts to computerize records because of the apparent inability or unwillingness of the Department of Commerce to listen and respond.

The second factor relates to the time delays that have increased to an unprecedented level. In 1977 the Trademark Office could make an initial examination of a trademark application within three months. This period has now grown to twelve or fourteen months, and it is anticipated that this same initial examination will require seven years by 1985. This projection of seven years for an initial review of an application is based upon Commerce continuing with its policy of giving low priority

to Trademark Office programs and requests. Whether the wait is more or less than seven years, business cannot delay the introduction of new products these long periods of time to determine whether a product can be sold under a particular name. Delays of this magnitude would obviously be detrimental to business.

This inefficiency stifles the growth of the economy. Every business - large or small - is affected by these delays and inefficiencies. They make it particularly difficult for a small businessman to introduce a new product in competition with an established brand.

The trademark examining corps has been reduced from about 70 to 39 while the number of trademark applications have increased up to 70%. In the face of these kinds of figures, the Commerce Department reduced the trademark budget. Every study made by our Association reveals that the basic roadblock lies in the fact that the Trademark Office has not been granted the right to convey its true state of affairs to the people who make the legislative and budgetary decisions affecting trademark operations. A way must be found for the Patent and Trademark Office to be heard in the Congress.

The vast majority of trademark owners would be willing to pay substantially higher fees for an efficient trademark operation. If operated as an independent agency, our Association would support a substantial increase in fees. This would result in a decrease in the overall cost of the operation to the government and permit a substantial increase in the Trademark Office's budget.

As it presently stands, money coming into the trademark operation goes directly to the Treasury with no reflection as to either source or amount. A simple example of this situation is that the Trademark Office, like the Patent Office, must pay a set amount each time an on-site photocopy machine is used by the public. Even though I pay to use the machine, the money I pay goes to the Treasury and is not returned to the trademark operation nor credited to its operation. Therefore, if I use the machine, I take away from the Trademark Office's budget. Likewise, the filing fees and other charges made by the Trademark Office go directly to the Treasury with no credit back to trademarks.

It is imperative that the environment of the trademark operations be improved. The failure to do so has seriously damaged the morale of trademark personnel. At a time when skilled people should be developed and retained, the young talent is being frustrated to the extent that they prematurely leave, thus creating an even more inefficient operation due to inadequate staff.

There can be nothing more convincing as evidence of the necessity of separation than the statements of all the past Commissioners of the Patent and Trademark Office who, regardless of party affiliations, regardless of the era in which they served, have uniformly supported separation. No single group of men could possibly have greater knowledge or experience of the PTO operations or problems.

The Patent and Trademark Office performs a quasi-judicial function. It needs no supervision from the Department of Commerce. This proposed separation legislation would permit the Commissioner to deal directly with the legislative and budgetary questions affecting the operations of his office. This ability to deal with its problems, this ability to communicate directly with Congress, will promote the effective and efficient operation of the Patent and Trademark Office.

It is the position of The United States Trademark Association that nothing short of creating an independent agency will remedy the situation. Our Association, whose members comprise the single most active force in the trademark field, wholeheartedly supports this separation legislation.

**THE UNITED STATES TRADEMARK ASSOCIATION**
**6 EAST 45TH STREET • NEW YORK, N.Y. 10017**
**TELEPHONE: 212-986-5880**

OFFICE OF THE PRESIDENT

April 8, 1980

The Honorable Birch Bayh
The United States Senate
363 Russell Senate Office Building
Washington, D.C. 20510

ATTN: Mr. Joe Allen

Re: S.2079

Dear Sir:

Thank you for your kind letter of March 18 concerning the Independent Patent and Trademark Office Act. I was pleased to submit testimony on behalf of the USTA and am gratified that you have seen fit to submit additional questions to us. Our responses to the questions are as follows.

QUESTION NO. 1

You mention in your statement that it now takes 12 to 14 months for a trademark examination and that this wait could increase to 7 years if current trends continue. What does this pendency time do to a company that is trying to market a new innovative product?

ANSWER

Pendency times of this duration substantially increase the risk and cost of selecting a new trademark. Furthermore, the introduction of new products is delayed and marketing plans go awry.

If a businessman proceeds without full clearance on a new name, he runs a high risk of encountering a third party who may have prior rights in the name. The result could mean the withdrawal of the product from the market, expensive litigation to determine the rights of the parties, or because of the economics of the situation, leaving the newcomer no choice but to buy his way out of an unnecessary conflict caused by the inefficiency of the Trademark Office.

These unconscionable delays can be devastating to the small businessman who doesn't have the resources or knowledge to cope with them nor an already established brand name that he might be able to use until a new name can be cleared. Every businessman, large or small, wants to introduce a new product under a new and exclusive identifier. These delays are forcing merchants and manufacturers with new products to either delay introduction of their product or to use a mark they might already have registered, but that does not necessarily suit the new product.

Everything sold in this country needs to be identified by an exclusive means of identification so that a business may be rewarded or penalized for its products and so a consumer has a means for making an informed decision as to which product to purchase and which to avoid. The PTO is supposed to facilitate this process but it is not serving this purpose if a term of years is required to obtain clearance or a response from the Trademark Office.

QUESTION NO. 2

You mentioned that the Department of Commerce has reduced the number of trademark examiners and has cut their budget inspite of the tremendous increase in trademark applications. The Department is now saying privately that the current problems are the fault of the Patent and Trademark Office's inability to run its operations and that oversight from the Department is needed to "get a broader perspective." Do you believe that there is any reason for the Department to have oversight of the Trademark Office? Has this oversight helped or hurt the trademark system in your opinion?

ANSWER

The Department of Commerce has been overseeing the PTO, including the trademark section for decades. In the face of strong facts and figures on increased filing, Commerce, with its "broader perspective", forced substantial cutbacks on the Trademark Office operations to the detriment of all U.S. businesses.

The forced budget cuts, the cutbacks in personnel, and the lack of attention and knowledge by Commerce have been devastating. Commerce makes decisions without consulting the Trademark Office or even advising the Trademark Office. These kinds of decisions, based as they are upon disinterest and wrong or poor information, have a tremendously adverse effect upon all facets of the Trademark Office. As an example, Doctor Wolek, who testified on behalf of Commerce, has stated that one of the reasons for the increase in filing for trademarks was because so many patents were being held invalid. A patent has absolutely nothing to do with a trademark. If Commerce cannot recognize the fundamental differences between patents and trademarks, it is in no position to provide "oversight". If Commerce cannot understand the purpose of a trademark, how can it properly oversee the Office?

As far as the Department's comment that the current problems are the fault of the Patent and Trademark Office's inability to run its operation, it is Commerce that has caused the operation to fail by denying proper funds and by interfering in the operation of an agency it does not understand -- an agency that is unrelated to all other Commerce operations. For over a hundred years (1838 to 1948) the PTO was directly responsible to Congress. From 1948 to 1962 it reported to the Secretary of Commerce, and from 1962 it has reported to an Assistant Secretary of Commerce. The deterioration of the Office over the years can be traced directly to the Commerce Department handling of the PTO's affairs.

QUESTION NO. 3

Do you think that we should give the Commerce Department another chance or do you think that the previous history justified making the Patent and Trademark Office independent without delay?

ANSWER

The Commerce Department has had decades to perform. The PTO has been knocking on their door for years and has not been heard. Commerce has been so consistently negligent over such a long period of time that it is inconceivable that Commerce be offered another chance

to further destroy the PTO. It is critical that the PTO be made independent without further delay.

For the first time in history, the Trademark Office has been unable to consistently comply with the statutory requirement for publishing new applications and issuing new registrations. For example, in the Trademark Official Gazette dated March 4, 1980, which was not distributed until March 21st, there were no registrations granted. Again, in the March 18th issue (distributed March 28) no registrations were granted. The normal number per week is at least 750. In fact, every week so far this year the Trademark Office has been unable to issue anything close to the proper quota of registrations that should be granted each week. Some weeks only ten percent (10%) of the normal number of registrations have been issued. In the meantime, U.S. businessmen and individuals are waiting for the issuance of registrations that were allowed months ago. This printing fiasco is the result of the Commerce Department's handling of a contract with an inexperienced printer. The Commerce Department had no conception of the legal requirement that calls for a thirty day notice to the public from the date of publication.

We just cannot afford to tie up the Office for another year or two on a so-called basis of "giving the Commerce Department another chance".

QUESTION NO. 4

You mentioned that if the PTO was independent, the U.S. Trademark Association would support a substantial increase in trademark fees to decrease the cost of the trademark operation and make it more efficient. Would you support such an increase if the Trademark Office continues to operate under the present arrangement?

ANSWER

Absolutely not. Under no circumstances could we ask anyone to support an increase where the operation has no hope of providing the services that are required. The USTA will only support an increase in fees if the fees are credited to the operation of the Trademark Office. Under the Commerce Department this will not occur.

Any increase in trademark fees while the Office is under the control of Commerce would not necessarily be directed to the trademark operations. The Commerce Department knows this. When the filing of trademark applications increased by 70%, the Commerce Department cut back personnel and denied the Trademark Office any benefits it might receive from these additional filing fees because Commerce had overall budget problems that had nothing to do with the operation of the Trademark Office.

The people who use the Trademark Office are willing to support an increase providing the required services are preformed. The end result could be an overall reduction in the government's budget, with no cost to the taxpayer. Even with an increase in fees, an efficient operation of the Trademark Office would actually result in a savings to every user of the trademark registration system.

Please do not hesitate to contact our Association in the event we might be able to help in any way.

Very truly yours,

Louis M. Gibson

Louis M. Gibson
President
The United States Trademark Association

LMG:bc

cc: Dorothy Fey
John T. Lanahan
Robert D. O'Brien
Thomas J. Ward

Senator BAYH. Our next panel of witnesses are Mr. Jack Maurer, chairman of the intellectual property task force, and Mr. Archer L. Bolton, Jr., chairman of the science and technology task force of the National Manufacturers' Association.

Gentlemen, we appreciate your being here.

**TESTIMONY OF ARCHER L. BOLTON, JR., CHAIRMAN, SCIENCE AND TECHNOLOGY TASK FORCE, NATIONAL MANUFACTURERS' ASSOCIATION, ACCOMPANIED BY JOHN E. MAURER, CHAIRMAN INTELLECTUAL PROPERTY TASK FORCE, NATIONAL MANUFACTURERS' ASSOCIATION**

Mr. BOLTON. My name is Archer L. Bolton. I am chairman of the board of Bolton-Emerson, Inc., a Lawrence, Mass., based manufacturer of processing equipment for the pulp, paper, and plastics processing industries. I am also a member of the board of directors of the National Association of Manufacturers, and currently am serving as chairman of NAM's Committee on Science and Technology.

Mr. John Maurer, who is with me, is patent counsel for Monsanto, and chairman of NAM's task force on intellectual property.

The National Association of Manufacturers is a voluntary membership organization of more than 12,000 companies. These companies produce approximately 80 percent of the goods manufactured in the United States. Among NAM memberships, some 80 percent can be classified as small businesses, of which my own company is one. NAM is affiliated with 158,000 businesses through the National Industrial Council and the NAM Associations Department.

Most of our members use and rely on patents in one form or another, and the NAM, for more than 20 years, has had an official written policy on patents, which reads in part:

> The patent laws of the United States have contributed greatly to the high standards of living of our people and to our world leadership in modern technology. The incentives of our American system of patents are vital to our continuing industrial growth as well as to the establishment and success of new ventures. The property represented by a valid patent should stand before the law on a par with other property and should be accorded the same legal protection.

Thus, the NAM, as an association of manufacturing companies, is unequivocally supportive of the patent and its owner.

But let me cite another very important part of the NAM policy position on patents, and it refers specifically to the Patent and Trademark Office, perhaps the only policy statement that directly addresses a specific agency of the Federal Government. It reads:

> An adequately staffed and efficiently operated U.S. Patent and Trademark Office is essential to the continuing success of the American patent system, and therefore, the Patent Office should be supported at a sufficient level to accomplish such end. It is in the interest of the public welfare that patents be issued as promptly as possible after their applications have been filed.

That policy statement is simple and direct. Unfortunately, the Patent and Trademark Office as it exists today falls considerably short of the intent of the policy statement.

The Patent and Trademark Office is a unique element within our Government, being among the first bodies to be set up after the founding of our Republic. It is really a repository of man's efforts to change things to enhance his well-being. It is an especial reposi-

tory for the peculiar American genius for the search for better solutions.

The NAM policy statement recognizes the essentiality of "an adequately staffed and efficiently operated Patent and Trademark Office." Instead, the Office is quite understaffed, and is inefficient. Search files are incomplete and out of date, time required to issue a patent or trademark is being stretched out, and the manpower and funding is inadequate.

Some concerns about the Patent and Trademark Office have been no better expressed than by Senator Bayh himself. I would like to quote him to reemphasize how seriously the Patent and Trademark Office has deteriorated. He says, and I quote:

> The Patent and Trademark Office has been seriously underfunded for years, yet this simple fact has never been clearly stated in the budget requests that we consider.

Senator Bayh further states:

> Not only are a large number of patents missing from the files, but only a small percentage of the files are covered by a security system to prevent theft and misfilings. The Patent and Trademark Office is not able to hire the needed personnel to fill the existing vacancies—the number of trademark examiners in 1980 will be the same as in the mid-1970s, yet they are expected to process 65 percent more applications. Patent examiners have 20 percent to 30 percent less time to spend on patent applications than 30 years ago, which means that all too often a patent holder is shocked to find his patent struck down by the courts because of data that was not considered by the patent examiner in his hurried search for previous patents and related materials. Inventors and businesses must also wait longer and longer for their patent and trademark applications to be processed.

The NAM represents a large and varied community of interests that depend heavily on an efficient and reliable Patent and Trademark Office. Our members' experience fully supports what Senator Bayh has learned. And we share his concern that the Patent Office has so deteriorated and has been so handicapped.

Our natural inclination would be to support any remedies that would immediately correct the inefficiencies of this key government service. S. 2079 appears to offer an immediate solution to the ills we all recognize.

The administration contends that it has been the President's policy to limit the number of independent agencies only to cases where there is a demonstrated need. The NAM cannot but agree with that sentiment. NAM has been concerned about and its members have suffered from proliferation of agencies, and particularly regulatory ones, to the point where we are generally appealing for a stop to such expansion. But the Patent and Trademark Office is neither a new agency nor a regulatory agency.

It could be argued that the President's policy in fact reinforces the proposal of S. 2079 to separate the Patent and Trademark Office from the Commerce Department because many now detect that "demonstrated and compelling need" for such independence.

But as we view the idea of separating the PTO from Commerce and giving it independent status, we are not yet persuaded that this step would be the only solution.

In our testimony on a bill introduced by the late Senator Philip Hart—S. 1321—that sought to do what S. 2079 seeks to accomplish, the NAM took the position that "we noted the laudable objectives in the proposal to establish the Patent Office as an independent executive agency reporting to the Congress." We testified then that

"there clearly are advantages in having a Cabinet officer at the organization pinnacle in which the Patent Office is located. Thereby matters affecting the patent system may, when necessary, be more readily brought to the direct attention of the President—and his support may be enlisted for programs meriting and requiring such backing if they are to succeed."

We further argued back in 1973 that "in terms of intergovernmental relationships it seems that the position and support of the Secretary of Commerce may be of far greater value to carrying out the goals of the Patent Office than would be the relatively lesser prestige and weight of the head of the Patent Office if the latter were to be an independent executive agency."

Much to everyone's anger and frustration, the opposite has happened. Perhaps that frustration has been no better exemplified than by the testimony of so many living ex-Commissioners of Patents who support S. 2079. The understaffing and delay continue. Funding remains inadequate. The voice of the PTO is not heard at Commerce, the Office of Management and Budget, or on the Hill.

Last year, the President's Domestic Policy Review of Industrial Innovation sought to ferret out and identify where there were bottlenecks in the Federal Government's role vis-a-vis the innovation process.

The draft report of the Advisory Subcommittee on Patent and Information Policy of the Advisory Committee on Industrial Innovation, established as part of the Domestic Policy Review, made recommendation to improve the reliability of the patent grant. In considering the provisions of S. 2079, we would like to quote the first recommendation, which is in two parts:

Upgrade the Patent Office by: (a) Providing an adequate examining staff to assure a rigorous, high quality examination. This would increase confidence in the patents that are issued. (b) Providing modern search tools that increase the probability of finding the relevant prior art. This would be a cost effective investment by reducing research time per examiner, as well as reducing the frequency of subsequent proceedings to argue the prior art.

When the President issued his set of nine industrial innovation initiatives on October 31, 1979, he noted that the "patent process has become expensive, time-consuming, and unreliable." One of his solutions is to direct the Patent and Trademark Office to undertake a major effort to upgrade and modernize its processes, in order to restore the incentive to patent—and ultimately develop—inventions. A praiseworthy intention, and one that ought to be given a chance. The President says that such upgrading and modernization will be paid for "by adjusting the fee schedule of the Patent Office so that those who benefit will pay for the service they receive."

Those who are beginning to have less and less confidence in U.S. patents are not likely to pay more an more in filing fees in the hope that conditions will improve. That is placing the cart before the horse.

Further, higher fees will act as a disincentive to individual inventors and small firms, if they are prohibitively high.

The provisions of S. 2079 and the ground swell of support for its separation provision have riveted attention on the problems and

failings of the Patent Office. We join in the concern of others that the time has come for strengthening the Patent Office; for providing adequate funding and staff; for confidence in the fulfillment of its mission, the professionalism of its tasks, the efficiency of its operations, and—what we at NAM consider the bottom line—the reliability of issued patents and trademarks.

We understand that the Commerce Department is now giving attention to these matters at the highest level. Combined with President Carter's expressed intention to upgrade the Patent Office, such attention leads us to expect positive improvements there.

We know that Congress will give careful consideration to the plans that Commerce will develop to deal with the recognized problems of the Patent and Trademark Office. However, should Congress not receive such plans promptly or find that those plans will not solve the problems of the Office on a long-term basis, then we fully support passage of S. 2079.

Mr. Maurer and I would be glad to answer any questions.

Senator BAYH. Thank you, Mr. Bolton. I assume that is a joint statement.

Mr. MAURER. That is correct, sir.

Senator BAYH. Gentlemen, I am a very patient soul, and I don't like to tamper with something unless it is not functioning. "If it ain't broken, don't fix it" is pretty applicable in many instances. We need to have the support of the National Association of Manufacturers' in our efforts here.

I will just be very frank with you. Mr. Gibson, in representing the U.S. Trademark Association, spoke at least for the trademark parts of the major corporations in the NAM. How long do you give the Department of Commerce to straighten itself out? The President's study came out in October.

We asked the present Commissioner to give his assessment of what needed to be done to improve his Office. That report has been made, the shopping list has been prepared. But the very bureaucratic structure that keeps the Patent Office from functioning properly or being subject to the right kind of congressional control and oversight has prevented us from getting the assessment of the Commissioner, unabridged and unadulterated from the bias of his supervisors.

This bill isn't going to solve all the problems, but this is one that can be done with a minimum amount of pain.

We have had Patent and Trademark Commissioners almost since the beginning of the Republic. Every one that is still alive has testified to this committee going back through Republican and Democratic administrations to Eisenhower. And we have had all sorts of pronouncements from the Department of Commerce that they were going to clean up their act. Is there any reason to think, if we are going to talk about long-range consequences, that we are going to have different results by giving them more time? Shouldn't we cut that umbilical cord and give them the independence to do this job? What do you think?

Mr. BOLTON. Senator, I think we are stuck with the record. Deliberately, our testimony included our position in 1973, when we

were hopeful we could work out of the situation then. Our situation has not improved, and has deteriorated.

As you can appreciate, because we have many relationships with the Commerce Department other than the matter of patents and trademarks, we are subjected to various internal influences in our association concerning Commerce. We have a somewhat political problem of our own to wrestle with. We are saying that essentially we think that this is a judgment question. If in the judgment of the Congress the agency should be spun off and given independent status, we will support that.

Senator BAYH. Thank you, Mr. Maurer?

Mr. MAURER. No, I fully support what Mr. Bolton said. We believe, as he said, the record is there, but we think, in fairness, is what we are saying, you should, and I know you will, give consideration to what Commerce's plans might be. I think you still have to weigh that with the concerns that have been expressed and whether, on a long-term basis, there is any way realistically that the problems can be solved to the satisfaction of those who use the system.

Senator BAYH. Thank you. We are going to continue studying this problem—but I think you can study something to death. You pointed out 1973 proposals. We could be sitting here in 1983. I don't know whether I will be, but you gentlemen could be, and having the same kind of critique. I think we just have an inherent problem with the organizational structure, where the Patent Office is really so subservient to a lot of other interests in the Department that, it is an involved stepchild.

But you have been very kind, gentlemen, and I appreciate your remarks. I may submit written questions to you. Thank you.

Mr. BOLTON. Thank you, sir.

[Responses to written questions submitted to Mr. Maurer follow:]

MONSANTO CO.,
*St. Louis, Mo., March 28, 1980.*

Hon. BIRCH BAYH,
*U.S. Senate, Committee on the Judiciary,*
*Subcommittee on the Constitution, Washington, D.C.*

DEAR SENATOR BAYH: This responds to your letter to me of March 17, 1980.

Let me say first that the National Association of Manufacturers appreciated very much the opportunity to testify on S. 2079, the Independent Patent and Trademark Office Act, and the leading role you personally have taken to determine and bring to the attention of the Congress and the Executive branch the long standing serious situation that exists in the Patent and Trademark Office (PTO).

*Question 1.* Many times in the past when there was an outcry about the inefficiency of having the Patent and Trademark Office under the Commerce Department there have been promises from the Department that if the PTO was left under Commerce it would get better treatment in the future. Historically, when this clamor died down the Department has gone right back to its usual practice of neglecting the Patent and Trademark Office. Do you think that the present promises of the Commerce Department will be more effective than those given 10 years ago? What will happen to those promises if there is a new administration next year or if there is a cabinet reorganization which so often accompanies a second term?

Answer. The neglect of the Patent and Trademark Office (PTO) over such a long period of time would seem to indicate a structural problem, especially in the inability of the Congress to receive the frank views of the PTO itself. There is no reason why a truly determined Commerce Department cannot propose an effective plan and take the necessary budgetary steps for the coming year. Whether the action would carry through with a new administration or a cabinet reorganization would depend somewhat on the apparent success of the first year, but more impor-

tantly on the new perceptions of priorities—which of course cannot be foreseen. In this regard the Congress could of course help to establish those priorities.

*Question 2.* Do your companies have any dealing with the PTO? How would you rate the present system? Does the fact that the Commerce Department frequently ignores or opposes the recommendations of the PTO about its budget concern you?

Answer. Although we have not made a specific survey, there is no doubt that the great majority of NAM's more than 12,000 companies file in the PTO applications for patent and for registration of trademarks, and are also affected by patents and trademarks obtained by others. Further, the efforts of the PTO on the international scene affect the quality of patent and trademark protection obtained by our member companies.

In the past, the Commerce Department's performance vis-a-vis the PTO has been spotty and unpredictable, but in general far from responsive either to the perceived needs and proposals of the PTO itself or the needs of the country as perceived by NAM's Task Force on Intellectual Property. The result is the present severe understaffing and inadequate searching capability with resultant poor services.

*Question 3.* On November 30, 1979, as I mentioned in my statement, I asked the Commissioner of Patents and Trademarks Mr. Diamond to give me a list of the needs of his office so that the Appropriations Committee could help the PTO in this year's budget. I now understand that the Department has embargoed this report and will not let the Appropriations Committee see it but will insist that the Department's word on the needs of the Office be accepted without any possible contradiction by the real experts at the PTO. Does this refusal to allow the PTO to have direct contact with the Congress bother you at all? Don't you think that we are taking a substantial risk if we just accept the Department's word that it will do a better job when we could make the PTO independent and be assured that the real experts will be running the show without interference?

Answer. We feel that the PTO's own recommendations to Commerce should be made avaialble to the Congress and to the public, even though Commerce may differ with some of the recommendations. Also, the cognizant Congressional committees should be able to receive testimony from and question the Commissioner of the PTO and his staff. We think this especially so in view of the quasi-judicial nature of the PTO. Obviously, Commerce's observations and actions on the PTO proposals should be equally available to the Congress.

Based upon the past performance of Commerce and the testimony of recent Commissioners of Patents, it is difficult to believe that there will be any long lasting change for the better. On that basis there is clearly a risk that the PTO will sink further toward becoming a second-class operation. We should not accept that risk.

Please be assured that if there is further information or assistance that we can supply, we would be more than happy to do so.

Respectfully,

JOHN E. MAURER,
*Chairman, NAM Task Force on Intellectual Property.*

Senator BAYH. Our next witness is Mr. Eric P. Schellin, chairman of the board of trustees of the National Small Business Association.

Mr. Schellin, you are no stranger to the committee. It is good to have you back.

## TESTIMONY OF ERIC P. SCHELLIN, CHAIRMAN, BOARD OF TRUSTEES, NATIONAL SMALL BUSINESS ASSOCIATION

Mr. SCHELLIN. Thank you very much, Senator.

As you indicated, I am chairman of the board of trustees of the National Small Business Association. I am also the executive vice president of the National Patent Council.

If I appear before you today a little bit redeyed and subdued, which is unusual for me, it is because I just came in this morning on the redeye special from California. I was out there for 2 days, working with the National Science Foundation and approximately 260 small business enterprises and entrepreneurs that were there for a series of conferences to bring in 20 to 30 Government agencies in order to teach productivity to increase productivity, and to share with them the experiences the Government has had.

You, Senator Bayh, have mentioned several times today the point which is in the equation of maximum importance to us all—it is productivity. And yet S. 2079 would pose problems. It would pose problems in the executive branch, primarily because the executive branch views it as a causal proposition. In spite of some of the estimates that it would only cost $150,000, the executive branch would use a different number.

Why is this important? Very easy. The executive branch very recently, as you know, has put severe constraints on the budget for fiscal year 1980 and also looking toward 1981. What happened at the National Science Foundation conference over the last few days I think is very important, because over one-third of the Government agencies that were supposed to be there didn't show up under the specious argument they couldn't make it because of budgetary restraint.

Now the meeting was set up for the purposes of increasing productivity. And yet one-third of the Government agencies don't show. S. 2079 will also be perceived as increasing the budget and, therefore, I think that we will have a great, difficult time in harvesting the crop after we plow and put the seed in.

I just shared that with you by way of background. I have a prepared statement which I have submitted.

Senator BAYH. We will put that in the record.

Mr. SCHELLIN. We commend the committees for the opportunity to address the issue of establishment of an independent Patent and Trademark Office.

Permit me to begin with the statement that drastic circumstances require drastic measures.

This committee has recently heard testimony from most of the living former Commissioners of Patents and Trademarks. In each case the witness gave anecdotal evidence of personal experiences. These experiences demonstrated that the PTO is consistently treated as a backwater by every administration, which you pointed out, too, without regard to party affiliation.

The PTO is an old-line agency virtually finding its genesis concurrently with the founding of this Republic. Through the years sport has been made of inventors, patent attorneys, and patent examiners, all have been the subject of cartoons. Yet, somehow in spite of caricature, the agency comes through to the public as being some grande dame; not quite understood but tending to her knitting which is her business. The agency does not evoke passions; up until now it has found only a small constituency.

The Patent and Trademark Office has recently become the subject of increased attention due to diminution of innovation resulting in a lag in America's productivity growth. The patent system is validly perceived as playing a role by providing incentives to increased product and process productivity. Considerable testimony before these committees and other congressional committees by numerous witnesses have already stated the same conclusion, so that it is redundant to spell out the premise again at this point.

However, in passing, it should be noted that the National Patent Council and the National Small Business Association, in concert, have been involved in furthering the patent system long before it became fashionable. These organizations, through their representa-

tives, have testified before various committees of the Congress and have gone on record in briefs as friends of the court in regard to our perceived notion that there was and continues to be a runaway movement in the direction of use of trade secrets as an alternate means for effecting intellectual property protection because of a poorly funded PTO and patent system. It is our belief that the use of the trade secrets as the ultimate means of protection, interest in, and use of the patent system would continue to erode that system. An extensive record has already been made as to how and why the patent system has fallen into considerable disrepute, and our prophesy has come true. Protection afforded through the concept of trade secrets is anthesis to the concept of disclosure as found in the patent system. In other words, a trade secret does not "teach" as a patent by virtue of the printed disclosure is said to "teach." The patent, then, becomes a tool upon which improvements may be made or efforts may be made to design around. A trade secret may have perpetual life, while the exclusivity afforded by a patent has a known limited term after which the subject of the invention goes into the public domain. Finally, and most important, the patent system has been declared to be more important to small business than to big business. Big business can often depend upon its marketing acumen to give it the clout to obtain exclusivity. Small business must more often depend upon a patent and the degree that that patent can be enforced.

It will be seen, therefore, that the small business constituency will favor any legislation that is perceived as upgrading the patent system. Small business does indeed perceive S. 2079 as constituting salutary legislation that would assist in upgrading that system. It is believed that an independently constituted Patent and Trademark Office would be more responsive to the Congress, to the executive branch and those using and paying for the patent system.

An analysis of the present PTO reveals that a multilayered bureaucratic infrastructure in the following areas normally requiring interaction has posed consideration problems, and I call your attention to a series of charts I prepared in subsequent pages in the printed statement entitled: "Budget, Legislation, management and organization, and presidential policy on innovation, for example, government patent policy." I won't go through those, because essentially the former Commissioners of Patents that testified before have covered that subject more than adequately. But if you will look at them momentarily, you will see the Commissioner must work up and down a line rife with problems at each step, subject to considerable delays.

From memory I would also call your attention to what Herbert Holloman who, at the time he was Assistant Secretary of Commerce for Science and Technology, told David Ladd at the time he was Commissioner of Patents—I believe around 1963. He said, "You issue the patents, I will make policy." And so it appears, that it has been well established that the Commissioner is a functionary to deliver the patents.

Even if the Commissioner is not to be involved in any policy decisions, what is the answer to the question: Is the PTO delivering its services and goods in a satisfactory manner? With that question

comes the consideration, what is it that the PTO is perceived to do? With regard to patents, I have provided in succinct form a review of title 35 which I think bears looking at. But it indicates essentially under section 6 he has a duty to issue patents. Under section 8 he has a duty to maintain a library. Under section 9 he may classify patents. And under section 10 he may print patents.

If we merely wish to assess the efficiency with which the PTO delivers patents or the granting thereof and the maintaining of a library of such patents, one can conclude that the PTO is relatively efficient. For instance, the Commissioner does indeed grant patents, by statute of action. If scale is important, then we will find that approximately 80,000 patents are granted based upon the filing of 100,000 patent applications. The percentage of allowability is high and the absolute numbers that we are talking about are also massive to say the least. It would appear that efficiency is indeed excellent.

Second, the time between filing a patent application and the resulting issued patent is at the present time quite manageable. We hear talk that it may increase to 2 years and perhaps beyond. In any event, it is not foretold that the pendency time will increase to what it had been in the years prior to compact prosecution. As a result of the patents that have already been issued, it will be well appreciated that the library maintained by the Commissioner is indeed voluminous. It is said that approximately 22 million documents are classified somewhere in the confines of the PTO, the 22 million documents being defined as the original patents, the various cross-references thereto, the foreign patents and the literature references available in the PTO. Having determined that the PTO is indeed efficient in granting patents and is efficient in the generation of information for a library, it should be perceived that the PTO is fulfilling somewhat its statutory function. I shall not discuss the nature of the quality of those issued patents, however; that has been discussed at other times before other committees.

In a recent survey undertaken by me and first referred to in a talk given by me on June 12, 1976, in a conference on the Patent and Trademark Office, I first became aware that the infrequent users of the patent system were unaware of the very limited area in which the PTO operates. The more frequent users complained of the inadequacy apparent to them.

Permit me to summarize.

For instance, there is no evaluation program of the kind found now being administered by some universities under various Federal grants. PTO is not a source of funding of any kind comparable to the NSF-Small Business Innovation Research or the DOE-Office of Energy-Related Inventions. There is no consolidation of programs to help inventors in the PTO itself, which are meager, and other agencies. There is little help for the inventor who has filed his own patent application, for example, patent application preparation and prosecution. There isn't even the use of a toll-free telephone number whereby someone in the PTO can be responsive to the inventors' inquiries. The issued patents are classified for the benefit of the PTO examiner, not for the public who should be the real end users. There is little assistance to help inventors interested in

selling or commercializing their patented inventions. There is no assistance from the PTO in helping to enforce a patent.

It is apparent from the foregoing that the PTO is set up to do virtually nothing for the inventor-innovator before the patent application is filed.

The PTO is efficient in issuing patents, as we say, as long as the inventor-innovator is adequately represented by a patent attorney or patent agent.

The PTO is set up to do nothing for the patentee after the patent issues.

On June 6, 1979, Admiral Rickover stated that the PTO is merely involved in a recording function. I submit to you unless drastic measures are undertaken, such as by the establishment of an independent Patent and Trademark Office, Admiral Rickover will continue to be correct in his assessment.

An independent PTO will provide a vehicle to insure that its two primary functions are carried out in a much better fashion. Future issued patents can be made more reliable and the library of prior art can more easily be discerned as constituting the world's greatest repository of information on technology. I have had occasions to lecture before faculty and students at various schools of engineering who are amazed to learn that the PTO is a storehouse of information.

Once having reformed the two primary functions of the PTO, future consideration can be given to giving it enhanced activities all in the name of increasing innovation and being of greater service to the public.

Before closing, permit me to share with this committee two areas of concern as we view S. 2079.

One, we feel that limiting the position of the Commissioner to "a person with substantial experience in patent and trademark matters" is too restrictive.

Most of the former Commissioners that recently came before these committees have achieved their experience as the top patent attorney in a patent department of a large corporation, the others have come from firms which have been successful as a result of representing large corporations. Future Commissioners should not necessarily follow this route. For if they do, they may be geared only to carry forward with those things with which they are already well familiar. If an independent PTO is to move beyond merely being involved in a recording function, the position of Comissioner should be open to any talented individual that can fill the position with panache.

Two, we are also concerned with the fact that the independent PTO, by virtue of S. 2079, being in a position to establish policy would not have a set means for seeking appropriate input.

Therefore, we recommend that S. 2079 be amended to include a National Patent Board to advise the Commissioner. Such a board, if properly constituted must have a small business representative. A parallel to the National Patent Board may be found in the National Science Board of the National Science Foundation.

If I can personally be of any assistance in providing the suggested changes, I would be happy to cooperate. We of the National Small Business Association are grateful for the opportunity to

participate in reviewing S. 2079 and conclude that it is forward-looking legislation, insofar as we look at it as a beginning and not the end in itself. I would, therefore, argue somewhat with the gentlemen that appeared earlier representing the bar, where they were seeking to establish an independent Patent Office to continue in the way it is being operated today, with perhaps some cosmetic improvements. I feel we should look at S. 2079 as a beginning to do a lot more.

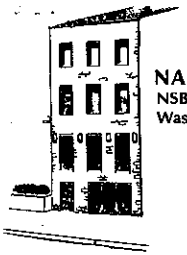
Thank you very much.

Senator BAYH. Thank you very much, Mr. Schellin. I appreciate your thoughts about the National Patent Board. That sounds very interesting. I hope we can work together to see what we can do with that. I appreciate your support for this legislation and the deep concerns that you express on behalf of the small businessmen of this country.

I may have a question or two in writing. Thanks for taking the Red-Eye Special to be here. I have done it myself and I know it is not easy. Thank you.

Mr. SCHELLIN. Thank you.

[The prepared statement of Mr. Schellin and responses to written questions follow:]



NATIONAL SMALL BUSINESS ASSOCIATION
NSB Building • 1604 K Street, N.W.
Washington, D.C. 20006 • Telephone (202) 296-7400


FOUNDED 1937

STATEMENT OF

ERIC P. SCHELLIN

ON BEHALF OF

NATIONAL SMALL BUSINESS ASSOCIATION

AND

NATIONAL PATENT COUNCIL

BEFORE A JOINT MEETING OF THE

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

AND THE SUBCOMMITTEE ON THE CONSTITUTION OF THE

SENATE COMMITTEE ON THE JUDICIARY

HOLDING HEARINGS ON THE

INDEPENDENT PATENT AND TRADEMARK OFFICE ACT

S. 2079

MARCH 12, 1980

"It is the declared policy of the Congress that the Government should aid, counsel, assist, and protect, insofar as is possible, the interests of small business concerns in order to preserve free competitive enterprise..."

(P.L. 85-536, as amended, Section 2(a), Small Business Act.)

STATEMENT OF
ERIC P. SCHELLIN
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AND
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S. 2079
MARCH 12, 1980

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Mr. Chairman and Members of the Committee:

My name is Eric Schellin. I am Chairman of the Board of Trustees of the National Small Business Association (NSB), a multi-industry trade association representing approximately 50,000 small business firms nationwide. I am also Executive Vice President of the National Patent Council and Chairman of the Advisory Committee of the American Society of Inventors.

We commend the committees for the opportunity to address the issue of the establishment of an independent Patent and Trademark Office.

Permit me to begin with the statement that drastic circumstances require drastic measures.

This committee has recently heard testimony from most the the living former Commissioners of Patents and Trademarks. In each case the witness gave anecdoctal evidence of personal experiences. These experiences demonstrated that the PTO is consistently treated as a backwater by every Administration without regard to party affiliation.

The PTO is an old-line agency virtually finding its genesis concurrently with the founding of this republic. Through the years sport has been made of

inventors, patent attorneys and patent examiners, all have been the subject of cartoons. Yet, somehow in spite of caricature, the agency comes through to the public as being some grande dame; not quite understood but tending to her knitting which is her business. The agency does not evoke passions; up until now it has found only a small constituency.

The Patent and Trademark Office has recently become the subject of increased attention due to diminution of innovation resulting in a lag in America's productivity growth. The patent system is validly perceived as playing a role by providing incentives to increased product and process productivity. Considerable testimony before these committees and other Congressional committees by numerous witnesses have already stated the same conclusion, so that it is redundant to spell out the premise again.

However, in passing, it should be noted that the National Patent Council and the National Small Business Association, in concert, have been involved in furthering the patent system long before it became fashionable. These organizations through their representatives have testified before various committees of the Congress and have gone on record in briefs as friends of the court in regard to our perceived notion that there was and continues to be a runaway movement in the direction of the use of trade secrets as an alternate means for effecting intellectual property protection, all to the denigration of the patent system. It was our belief that the use of the trade secrets as the ultimate means of protection; interest in, and, use of the patent system would continue to erode that system. An extensive record has already been made as to how and why the patent system has fallen into considerable disrepute. Our prophesy has come true. Protection afforded through

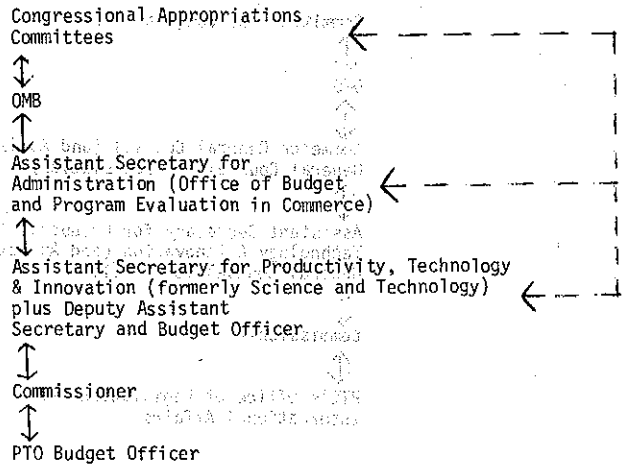
the concept of trade secrets is antithesis to the concept of disclosure as found in the patent system. In other words, a trade secret does not "teach" as a patent by virtue of the printed disclosure is said to "teach." The patent, then, becomes a tool upon which improvements may be made or efforts may be made to design around. A trade secret may have perpetual life, while the exclusivity afforded by a patent has a known limited term after which the subject of the invention goes into the public domain. Finally, and most importantly, the patent system has been declared to be more important to small business than to big business. Big business can often depend upon its marketing acumen to give it the clout to obtain exclusivity. Small business must more often depend upon a patent and the degree that that patent can be enforced.

It will be seen, therefore, that the small business constituency will favor any legislation that is perceived as upgrading the patent system. Small business does indeed perceive S.2079 as constituting salutary legislation that would assist in upgrading the patent system. It is believed that an independently constituted Patent and Trademark Office would be more responsive to the Congress, to the Executive branch and those using and paying for the patent system.

An analysis of the present PTO reveals that a multi-layered bureaucratic infrastructure in the following areas normally requiring interaction has posed considerable problems: A) BUDGET, B) LEGISLATION, C) MANAGEMENT AND ORGANIZATION and D) PRESIDENTIAL POLICY ON INNOVATION (e.g., GOVERNMENT PATENT POLICY).

In the following I will to the best of my knowledge share with you what I perceive as the identifiable layers in the bureaucracy and will take the liberty of specifically calling attention to comments made during the testimony given by the former Commissioners at the recent hearing.

BUDGET




1. Former Commissioner Banner says that it is important to note that the Commissioner is only a bystander with respect to discussions with Congress and OMB concerning the budget.

2. He also noted that Commerce caused many months delay in obtaining funds to pay examiners in 1979. Also failure of Commerce to take any action until late in the year meant that the printing of patents had to be curtailed drastically.

3. Banner noted how Commerce misspoke when Commerce stated that PTO would "misuse" any extra money to be allocated to PTO.

4. Former Commissioner Schuyler stated that Commerce delayed his request for a new computer facility for two years even though PTO had money to pay for it.

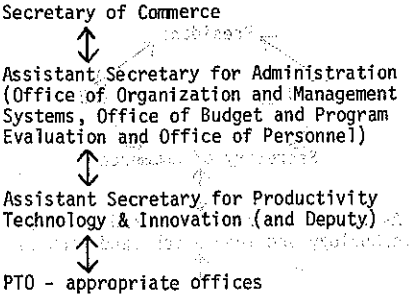
LEGISLATION

Committees of Congress
↕
OMB
↕
Commerce General Counsel (and Assistant General Counsel for Legislation)
↕
Assistant Secretary for Productivity, Technology & Innovation (and Assistant General Counsel for P.D.I.)
↕
Commissioner
↕
PTO's Office of Legislation and International Affairs

1. Former Commissioner Dann at page 56 of the transcript says many problems resulted simply from the additional layers of review.

2. As example of a delay, the White House announced on October 31, 1979 that under its innovation initiatives legislation to establish re-examination would be submitted. This has not been done and furthermore no detailed input has been received by the Congress in spite of such pending legislation.

MANAGEMENT AND ORGANIZATION



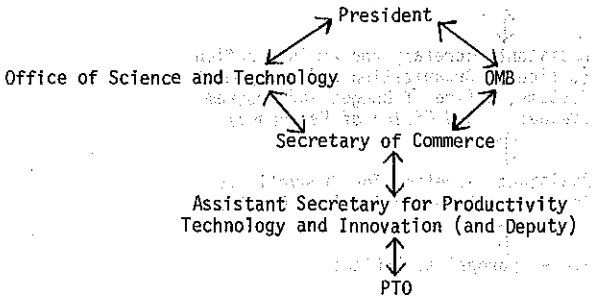

1. Former Commissioner Banner testified that a reorganization of PTO budget and finance was proposed early last year and nothing has been done yet.

2. Former Commissioner Dann stated that Commerce delayed his reorganization of documentation organization for six months.

3. Former Commissioner Schuyler stated that after Banner's resignation, a member of the staff of the Assistant Secretary of Commerce for Science and Technology (at that time) physically moved into the PTO and usurped much of the statutory authority of the Acting Commissioner.

4. Additionally, the Secretary of Commerce was stated by Commissioner Schuyler to not have sufficient interest in the PTO to try to obtain adequate office space which is desparately needed.

PRESIDENTIAL POLICY ON INNOVATION
(e.g., GOVERNMENT PATENT POLICY)




Former Commissioner Banner stated that the Commissioner is not an active participant in many policy decisions which are directly connected with patents and trademarks. In other words the Commissioner has had no voice in Administration proposals concerning government patent policy.

From memory I would also call your attention to what Herbert Holloman who, at the time he was Assistant Secretary of Commerce for Science and Technology, told David Ladd at the time he was Commissioner of Patents (about 1963): "You issue the patents, I will make policy." And so it appears, that it has been well established that the Commissioner is a functionary to deliver the patents.

Even if the Commissioner is not to be involved in any policy decisions, what is the answer to the question: Is the PTO delivering its services and goods in a satisfactory manner?" With that question comes the consideration what is it that the PTO is perceived to do? With regard to patents, a review of

Title 35 U.S.C. Sec. 6, 8, 9, 10 and 11 probably capsulizes the PTO functions in a way that at the same time also defines the present duties of the Commissioner. Accordingly, a review of these sections reveals that the Commissioner is to issue patents and to maintain a library of such patents.

Sec. 6. Duties of Commissioner

(a) The Commissioner...shall superintend or perform all duties required by law respecting the granting and issuing of patents and the registration of trademarks...and shall have charge of property belonging to the Patent and Trademark Office. (emphasis supplied)

Sec. 8. Library

The Commissioner shall maintain a library of scientific and other works and periodicals, both foreign and domestic, in the Patent and Trademark Office to aid the officers in the discharge of their duties. (emphasis supplied)

Sec. 9. Classification of Patents

The Commissioner may revise and maintain the classification by subject matter of United States letters patent, and such other patents and printed publications as may be necessary or practicable, for the purpose of determining with readiness and accuracy the novelty of inventions for which applications for patent are filed. (emphasis supplied)

Sec. 10. Certified copies of records

The Commissioner may furnish certified copies of specifications and drawings of patents issued by the Patent and Trademark Office.....

(emphasis supplied)

Sec. 11. Publications

(a) The Commissioner may print, or cause to be printed, the following:

1. Patents....
2. Certificates of trade-mark registrations....
3. The Official Gazette....

(emphasis supplied)

If we merely wish to assess the efficiency with which the PTO delivers patents or the granting thereof and the maintaining of a library of such patents, one can conclude that the PTO is relatively efficient. For instance, the Commissioner does indeed grant patents. If scale is important, then we will find that approximately 80,000 patents are granted based upon the filing of 100,000 patent applications. The percentage of allowability is high and the absolute numbers that we are talking about are also massive to say the least. It would appear that efficiency is indeed excellent. Secondly, the time between filing a patent application and the resulting issued patent is at the present time quite manageable. We hear talk that it may increase to two years and perhaps beyond. In any event, it is not foretold that the pendency time will increase to what it had been in the years prior to compact prosecution. As a result of the patents that have already been

issued, it will be well appreciated that the library maintained by the Commissioner is indeed voluminous. It is said that approximately 22,000,000 documents are classified somewhere in the confines of the PTO, the 22,000,000 documents being defined as the original patents, the various cross-references thereto, the foreign patents and the literature references available in the PTO. Having determined that the PTO is indeed efficient in granting patents and is efficient in the generation of information for a library, it should be perceived that the PTO is fulfilling somewhat its statutory function. I shall not discuss the nature of the quality of those issued patents.

In a recent survey undertaken by me and first referred to in a talk given by me on June 12, 1976, in a Conference on the Patent and Trademark Office, I first became aware that the infrequent users of the patent system were unaware of the very limited area in which the PTO operates. The more frequent users complained of the inadequacy apparent to them.

Permit me to summarize:

1) There is no evaluation program, of the kind found now being administered by some universities under Federal grants.

2) PTO is not a source of funding of any kind comparable to the NSF - Small Business Innovation Research or the DOE - Office of Energy Related Inventions.

3) There is no consolidation of programs to help inventors in the PTO itself, which are meager, and other agencies.

4) There is little help for the inventor who has filed his own patent application, e.g., patent application preparation and prosecution.

5) There isn't even the use of a toll free telephone number whereby someone in the PTO can be responsive to inventors' inquiries.

6) The issued patents are classified for the benefit of the PTO examiner not for the public who should be the real end users.

7) There is little assistance to help inventors interested in selling or commercializing their patented inventions.

8) There is no assistance from the PTO in helping to enforce a patent.

It is apparent from the foregoing, that the PTO is set up to do virtually nothing for the inventor-innovator before the patent application is filed.

The PTO is efficient in issuing patents as long as the inventor-innovator is adequately represented by a patent attorney or patent agent.

The PTO is set up to do nothing for the patentee after the patent issues.

On June 6, 1979, Admiral Rickover stated that the PTO is merely involved in a recording function. If he is even only partly correct, then I submit to you that unless drastic measures are undertaken, such as by the establishment of an independent Patent and Trademark Office Admiral Rickover will continue to be correct in his assessment.

An independent PTO will provide a vehicle to insure that its two primary functions are carried out in a much better fashion. Future issued patents can be made more reliable and the library of prior art can more easily be discerned as constituting the world's greatest repository of information on technology. I have had occasion to lecture before faculty and students at various schools of engineering who are amazed to learn that the PTO is a storehouse of information.

Once having reformed the two primary functions of the PTO, future consideration can be given to giving it enhanced activities all in the name of increasing innovation and being of greater service to the public.

Before closing, permit me to share with this committee, two areas of concern as we view S. 2079.

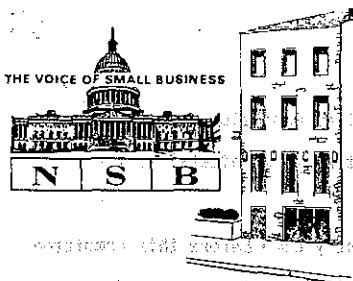
1. We feel that limiting the position of the Commissioner to "a person with substantial experience in patent and trademark matters" is too restrictive.

Most of the former Commissioners that recently came before this committee have achieved their experience as the top patent attorney in a patent department of a large corporation, the others have come from firms which have been successful as a result of representing large corporations. Future Commissioners should not necessarily follow this route. For if they do, they may be geared only to carry forward with those things with which they are familiar. If an independent PTO is to move beyond merely being involved in a recording function, the position of Commissioner should be open to any talented individual that can fill the position with panache.

2. We are also concerned with the fact that the independent PTO, by virtue of S. 2079, being in a position to establish policy would not have a set means for seeking appropriate input.

Therefore, we recommend that S. 2079 be amended to include a National Patent Board to advise the Commissioner. Such a Board, if properly constituted must have a small business representative. A parallel to the National Patent Board may be found in the National Science Board of the National Science Foundation.

If I can personally be of any assistance in providing the suggested changes I would be happy to cooperate. In the meantime we of the National Small Business Association are grateful for the opportunity to participate in reviewing S.2079 and conclude that it is forward looking legislation.




NATIONAL SMALL BUSINESS ASSOCIATION
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June 13, 1980

Mr. Joseph P. Allen
Subcommittee On The Constitution
Room 102B
Russell Building
Washington, DC 20510

Dear Joe:

This is in response to your letter of June 10, 1980, by means of which certain questions have been posed. The questions and answers are set hereinbelow.

QUESTION 1. How important is the patent system to the small business that is trying to compete against larger companies? How does the present situation in the Patent and Trademark Office affect this situation?

ANSWER 1. To the small business entrepreneur the patent grant generated by the patent system may be the only way for a small business to compete with larger companies who have economic acumen for rapid market penetration. As the small business entrepreneur depends heavily on the patent, anything that disturbs the reliability of the patent and the ability of the holder of the patent to enforce the rights afforded by the patent will be disastrous. Small business can count less and less on the ability of the Patent and Trademark Office to deliver a patent that inspires confidence that it will survive an attack.

QUESTION 2. Do you feel that there is any justification or evidence from your experience with the PTO that argues for continuing the present arrangement on the promise of the Commerce Department that it will do better in the future?

ANSWER 2. With personalities aside, the Department of Commerce cannot validly deliver on its promise. There are too many in being channels of communication that can never permit interfacing directly with the PTO. In fact to do so might in fact charge the Department of Commerce with delegation of authority and responsibilities that cannot be validly delegated.

QUESTION 3. What do you think that result would be if a small business had to conduct its decision making along the lines of command that you have outlined in your testimony exists today in the PTO?

ANSWER 3. First of all, small business does not have the luxury of a chain of command as seen in the PTO. Nor do they then have a dilution of authority and responsibilities. Small business's forte is frequently merely the ability to respond quickly to opportunities. A diffuse heirachy of command is a barrier to a rapid decision.

QUESTION 4. If the pendency time keeps increasing as it has done in the past what effect does this have on the innovative small business?

ANSWER 4. Increased pendency time in the PTO of patent applications will result in postponing decisions to commercialize an innovation and the resulting corollary may be that a postponed decision is a lost opportunity forever.

QUESTION 5. Would you feel comfortable in light of past history to leave the reorganization of the PTO in the hands of Congress?

ANSWER 5. No. There is a lack of understanding of the patent system by most individuals in the Dept. of Commerce. This is borne out by the fact that it is not recognized that the search files in the PTO constitute one of the greatest repositories of technical information and that the patent system is in fact, when fully operative, the best incentive to innovation.

I remain at your service,

Eric P. Schellin

EPS:csz

Senator BAYH. Our last witness is Mr. Alan Douglas, representing the Patent Office Professional Association.

Mr. Douglas, good to have you with us.

## TESTIMONY OF ALAN P. DOUGLAS, PRESIDENT, PATENT OFFICE PROFESSIONAL ASSOCIATION

Mr. DOUGLAS. Thank you, Mr. Chairman.

My name is Alan Douglas, and I am President of the Patent Office Professional Association.

The Association is a labor organization enjoying exclusive recognition under 5 U.S.C. 7111 to represent the professional patent employees in the U.S. Patent and Trademark Office, Department of Commerce. I am here to speak on behalf of the patent professionals the Association represents as well as the U.S. patent system, for the POPA constitution recognizes that what benefits the system will benefit the examiner.

I want to invite you now to stand back from today's concerns just long enough to go back to 1869 when Mark Twain published "The Innocents Abroad," describing a pleasure trip through many of the capitals of the world. In discussing Rome, Mark Twain said:

> The popes have long been the patrons and preservers of art, just as our new practical Republic is the encourager and upholder of mechanics. In their Vatican is stored up all that is curious and beautiful in art; in our Patent Office is hoarded all that is curious or useful in mechanics. When a man invents a new style of horse collar or discovers a new and superior method of telegraphing, our government issues a patent to him that is worth a fortune; when a man digs up a statue in the Campagne, the Pope gives him a fortune in gold coin. We can make something of a guess at a man's character by the style of nose he carries on his face. The Vatican and the Patent Office are governmental noses and they bear a deal of character about them.

If Mark Twain is still correct about governmental character, then today some things will have to be changed or we will all have to be satisfied with less of a character than we might want.

I cannot presume to instruct this committee about the patent system, but I do want to tell you something of what the patent examiner does so that you may better understand our position with respect to S. 2079.

As a quasi-judicial officer, a patent examiner can also be considered a technological Sherlock Holmes. The examiner must explore every avenue of the patent statutes, rules, and regulations, to be sure that the patent applicant has overcome every hurdle which the law has placed in the way of his receiving a patent. I will oversimplify those hurdles: Initially, whether the invention may properly be subject to patent protection; whether the invention is new or novel; whether the invention, although new, is obvious; whether the invention is disclosed in the application in a manner so sufficiently precise, clear, and definite that someone in the art to which it pertains could make and use it; to these and other substantive issues are added a host of formal determinations. Most of the deliberations in which an examiner must be proficient in his job are discussed in the "PTO Manual of Patent Examining Procedure," a 500-page volume. To this knowledge, of course, must be added a considerable body of case law. Finally, the patent examiner brings to the job a technical expertise sufficient to make him conversant with what is old and conventional as well as what may be new in a given technology.

Now obviousness as a legal concept is probably as elusive of understanding as anything could be; it may hold the record for the most words written about it, to the exclusion of a definition. At any rate, obviousness and novelty can only be determined after a search of the prior art. Some of you may not be aware of this, but patent searching is accomplished today exactly as it always has been: The examiner manually sifts through the prior art looking for some part or all of an invention. It is not uncommon for hundreds of documents to be handled in a typical search.

Although searching is the same, however, responsibilities have changed. Today, most of the examiners have unreviewed authority to grant U.S. patents. The examining corps, I am proud to say, wears that mantle of authority with great dedication and committment to a job well done. Which, within the framework of the examiner's search of the prior art brings me to my first specific point with respect to S. 2079.

Senator Bayh has said that "2 percent to 28 percent of the patents are missing from every subclass in the Patent Office files." A group of examiners recently wrote to a high-level PTO official complaining that patents in great quantities were sitting in stacks waiting to be refiled—so that they could be properly searched. Shortly afterward, in a routine meeting, I asked that official what he planned to do about those examiners' plea to get those patents refiled. His answer was that the Office didn't have the money to pay for such activities. Who gains from that? Certainly not the examiner who wants to do the best job he can, or the U.S. patent system which cannot afford to have incompletely searched patents being granted. This discussion of search file integrity begs a question: What will S. 2079 do about that lack of search file integrity? It is not clear that S. 2079 will correct it. If it will, we are for it; if it won't, we aren't.

A discussion of the act of searching is incomplete without the following information. Although there are no exact figures, it is generally acknowledged that the average search of the prior art is accomplished in 4 hours. Contrast that with this.

In his testimony before the Senate Judiciary Committee, Subcommittee on Patents, Trademarks and Copyrights in 1955, Mr. Donald Brown, then vice president and patent counsel of Polaroid Corp., said that it was Polaroid's "common practice, even in fields in which we are reasonably expert, to search the art before introducing a new product commercially. These searches, which are usually limited to U.S. patents of the last 15 or 20 years, may average 4 to 5 days of one man's time." Every search by the examiner is estimated to average 4 hours.

I ask you how would you rate the relative reliability of the results of those two searches? I would like to add that in 1961, about 1,000 examiners with a total of nearly 3 million patents to search disposed of 77,869 applications; today, less than 900 examiners have nearly 4,200,000 patents to search and have still disposed of 100,000 applications. Incidentally, whenever the subject of patent searching comes up among nonexaminers, the topic of machine—or computer—assisted searching appears as though it were the rainbow at the end of the storm. Indeed, conceptually, it has certain appeal. But examiners believe the paper documents are irreplacea-

ble; it is the nature of the job. To examine, one must pick up one document, study it, turn its pages to find one bit of information, compare that with the invention, put it down, pick up another document and repeat the process, integrating all these pieces of paper. Even so, millions have been spent just studying the possibilities of machine-assisted searching.

There are some specific reasons why we are not entirely in favor of an independent agency bill. As representatives of the professional employees we see instance of PTO supervisory and managrial behavior which we consider intolerable from the standpoint of the employee and the patent system. In one such instance a professional employee complained to the Department of Commerce that he was being retaliated against in the exercise of certain legally protected rights by PTO managers. Retaliation is a nasty word, but the Department agreed and ordered corrective action by the PTO. Would we want to lose the review of the PTO's actions in that case?

In another case a manager of about 75 examiners told 10 of them he would fire them if they didn't increase their production in 3 months. His action was so palpably indefensible that the same day we notified the Department about the facts, before we even began using the negotiated grievance procedure, his action was reversed. Do we want the PTO to be an independent agency in circumstances as those?

In 1977, the Department and the PTO agreed that the financial management was bad enough in the PTO to require a special officer, a controller, to oversee that activity. Would the PTO have taken such a step as an independent agency?

In a routine activity, the Department of Commerce in 1977 conducted a personnel management evaluation, the purpose of which was to evaluate the status of personnel management and to provide guidance and assistance for improvement. The Department's 23-page evaluation recommended the PTO change its ways in 16 specified areas and required 5 changes, most in the area of merit staffing, which is where POPA has had great difficulty in the past, leading to one recent arbitration. As you know, perceptions of merit staffing irregularities are very destructive of employee morale. In the absence of that departmental evaluation, would the PTO have changed its ways sua sponte?

In a rather remarkable case, management tried to balance examining workload to meet deadlines by telling examiners with training and experience in electrical and mechanical arts that they would be examining applications in the field of organic chemistry. Within days of our knowledge of that attempt to vitiate the quality of patent examination and the presumption of patent validity, it was disclosed to the appropriate authorities and reversed. Should actions such as those go unreviewed?

Senator Bayh has said, in his enthusiasm to achieve a robust Patent and Trademark Office, that the independent agency bill "will be concrete proof that we are indeed serious when we say that we want a patent and trademark system second to none." Former Commissioner Banner observed in his testimony before this committee that "the new European Patent Office has 2½ times our funding per patent application and twice our staff." Will S. 2079

have the result of increasing PTO funding per patent application 2½ times and doubling our staff? If the answer is yes, we are in complete support of the bill. If not, we are dealing in patent medicines, not patent systems.

At the first day of hearings on S. 2079, this committee heard from the figurative generals in the battle.

Our perspective, however, is different. We are the front line troops. We are the ones who, day in and day out, actually deal with the public. We see in the public the belief in the patent system as it should be; as it was before and as it should become again.

We want a vigorous patent system. Former Commissioner William E. Schuyler, Jr., in his testimony before this committee said that approximately 50 years ago, "the positions of patent examiners were prestigious and the examining corps was composed of men of dignity held in high esteem." You do not need me to tell you that does not obtain today. We are concerned with why that is so, and we believe you should be also; not because it affects the status of a few hundred civil servants but because it directly accounts for the condition of the U.S. patent system today. The answer is twofold: One, what we call the numbers game, combined with: Two, a complete reversal, as a policy, of what is the mission of the patent system. Both have a pernicious effect on the patent system. The first, the numbers game, seems to have really gotten rolling during the 1960's when, instead of hiring more examiners to handle an unacceptably large backlog of pending applications, the Patent Office or the Department of Commerce, or both promised Congress more work out of the same amount of people in the same amount of time. Instead of offering you a litany of abominations to professional employees which resulted from that, I will simply say that an employee who has to cut corners to satisfy his boss will. The more or less direct result will be patents being granted without a complete consideration of the prior art. A court which discovers that will fly the flag of invalidity and in a few years we have the public asking, "Why bother with a patent anyway; it's not worth the powder to blow it up." I am proud to say, however, that many examiners do work nights and weekends because their professional standards are higher than those of the PTO.

The second reason I referred to is a reversal of the mission of the Office; this is relatively subtle. From 1790 to perhaps just after World War II the attitude within the Office was that the examiner, on behalf of the United States, was the sole obstacle to the grant of patent and limited market monopoly rights. That was something not to be lightly considered. Examiners were in fact men of dignity held in high esteem as Commissioner Schuyler said. They had, as Senator Bayh has said, 20 percent to 30 percent more time 30 years ago to spend on patent applications than today. Today the official attitude about examining is that it should grease the skids to the issuance of a patent. If and when a patent thus examined gets into court the judge would understandably be quite shocked to find that the skids have been so well greased during examination that the file record of the application prosecution does not reveal why it became a patent. Former Justice Abe Fortas, beginning to see what trouble the patent system was in, said in 1971 that the examination of an application was "quite often in the nature of a titanic

struggle." That may have been true in Mark Twain's time, and probably was, but I assure you it is not now. Neither is it generally believed that a patentee has a document that in Mark Twain's time was worth a fortune.

I have been discussing the Independent Patent and Trademark Office Act, S. 2079. But, as I understand this committee, that act was not proposed as an end in itself, but rather as a means to an end: achieving greater technological innovation within the United States. We agree with the assumption of this committee that there is a direct connection between a strengthened patent system and greater technological innovation. But we must caution that if this act becomes law and achieves its goals—and we have admitted above to a certain hesitancy about what those goals are—then we still must protest that those achievements will not be enough. The Congress must increase the PTO examining staff, assure top-flight management, and insist on assiduous examination so that patents are not easily invalidated.

The Congress establishes the priorities which flow directly from budgets. Until very recently, congressional interest in patents was hard to find; even the Subcommittees on Patents, Trademarks, and Copyrights have gone on extended vacations. But if S. 2079 will have the salutary effects POPA thinks it will, we will support it with the proviso that the Congress does not throw the switch, creating an independent PTO, and then walk away, hoping that the intended results will follow. Patents whose presumption of validity is impregnable will reinvigorate a lagging confidence in the U.S. patent system, and thereby stimulate technological innovation. We eagerly anticipate those results.

Thank you.

Senator BAYH. Thank you very much, Mr. Douglas. I appreciate your testimony. The folks who are members of your association are the ones on the firing line called upon to provide sophisticated services through a rather antiquated system, it seems to me. I appreciate your thoughts on how we should broach this problem. If I have any questions, I might submit them to you and have you answer them in writing. I appreciate your taking time to be with us.

Mr. DOUGLAS. Thank you.

[The following letters were sent to Senator Bayh from Mr. Douglas:]

Patent Office Professional Association
Post Office Box 2745, Arlington, Virginia 22202

Date: April 22, 1980

Dear Senator Bayh,

Thank you again for the chance to present our views on S. 2079; both as to the hearings on March 12, 1980 and in this response to your questions.

Your question No. 1 is in two parts: (1) did I know that the Department has lobbied against the PTO budget? and (2) do I know that the Department has blamed the PTO for the Department's own mistakes? My answer to the first part is no I did not know that the Department lobbied against the PTO budget. We have no direct knowledge of any activity such as that. Our information on Departmental activity and budget policy determinations is only based on hearsay. My answer to the second part is also no, for the same reason. I should add, however, certain information dealing with the subject of "mistakes", to wit: during the process of studying the need for and usefulness of a special position at the PTO to oversee budget/policy determinations a management analysis group comprised of representatives of both the Department and the PTO determined in a paper dated December 28, 1977, for Assistant Secretary Baruch and Acting Commissioner Parker that:

> .Internal/external budget variance. The discrepancy between the Congressional submission and the PTO internal operating plan is long standing, probably beginning around 1970, and has become increasingly severe this year. The definition of reprogramming contained the FY 1977 reports of the House and Senate Appropriations Committees highlighted and attracted attention in the Department and PTO to this variance, as did the increasingly close scrutiny of the Department and OMB in the recent past. Attempts by PTO to resolve the problem in FY 77 were not successful due to data reliability problems. The conflict over the budget variance is typified by the August 18, 1977, memorandum from Enzo Puglisi, the Department's budget analyst for PTO, to Charles Jennings, then PTO Program Analysis Officer, in which Mr. Puglisi concludes that "funds

which were reported as reprogrammed from patent printing to the personnel accounts were actually used for other purposes."

.Unreliable budgetary data. Problems with inconsistencies and conflicts in budgetary and production data submitted to the Department appears to be a shortcoming generally acknowledged by both PTO and Departmental officials. A lack of data reliability has created a deep sense of distrust on part of the Department, particularly when coupled with the budget variance discussed above. It has had severe ramifications by causing:

-PTO budget requests to be put in a "hold" status by the Department;

-severe communication problem between the Department and PTO, generally characterized by a lack of understood definitions of terminology, multiple sources of data, and variation among these sources in statistical and analytic skills; and

-increasing demand for detailed explanations by the Department in a very short time frame. As a result of the level of distrust at the Department, PTO has been constantly requested to provide detailed explanations of papers submitted to DOC. Because of the highly decentralized PTO budget system the explanations are often difficult for the centralized PTO budget office to prepare within the time frames requested. This has led to incomplete or incorrect data being forwarded which later requires correction.

This document supports the conclusion that the PTO was dealing with the Department on a basis which was at best unreliable, and at worst, not candid. With such a background, the conflict you refer to in your question would be inevitable.

Regardless of this particular factual issue, you should be aware of what my information suggests is a long-established antipathy between the Department and the PTO. The effect of this relationship would necessarily color the facts involved in your question No. 1.

Your question No. 2 goes to the point of our March 12 statement, i.e., what basis is there for believing that the PTO will get more favorable treatment from Congress relative to its budget if it pleads its own case. You believe it is reasonable to assume that the desired result will follow. Our experience does not support that conclusion even though we wish otherwise. A "reasonable assumption" in terms of the PTO is a contradiction in terms. Would you think it reasonable to assume that an Assistant Commissioner would know how many professional staff he had on board? One day we asked and we are told "X". The very next day the Assistant Commissioner tells us the figure is really "X minus 50". In the instance we noted in our March 12 statement concerning a manager who told ten employees he was preparing to fire them, would you reasonably assume that that manager would make himself available to those employees to discuss their circumstances? On the contrary I can tell you that the manager issued the notices on a Friday and on the following Monday began a three-week holiday. On the point of a direct appeal to Congress in the budget process, I recall the stories of J. Edgar Hoover's ability to get from Congress what budget he wanted, not just what he needed. Will the PTO case be pleaded by someone with Hoover's effectiveness? Is it reasonable to assume that it will?

My short answer to your question is: based on experience, no; based on faith and hope, yes.

Your last question addresses our awareness of an act by the Department blocking a report by the PTO. The act you describe was, and is, not known by us.

Thank you for your continued interest in our position on the PTO, the Department and the patent system. As you can see we believe much improvement is necessary; our concerns go beyond S. 2079. We believe that some of the problems the PTO faces are a direct result of its own mal-, mis-, or non-administration. Although you have not asked us to specifically address those concerns, we would welcome the opportunity to present those to you.

Sincerely,

Alan P. Douglas
President, POPA

Patent Office Professional Association
Post Office Box 2745, Arlington, Virginia 22202

May 30, 1980

Honorable Birch Bayh
Committee on the Judiciary
Subcommittee on the Constitution
102B Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Bayh:

Please accept these remarks as supplemental to the statement I made at the hearings on S.2079 on March 12, 1980.

Thank you for considering this additional material.

Sincerely,

Alan P. Douglas
President

In our statement of March 12, 1980, we gave qualified support to S.2079. The reason we qualified our support for the bill was that we saw some benefit in the labor-management review functions performed at times by the Department of Commerce. Our concern must be labor-management relations, which is our reason for being.

However, with respect to budget control, certain facts have come to light which bear on the question of the DoC/PTO relationships separate and distinct from any labor-management context. For example, the Department has actively lobbied against increases in the PTO budget. To the extent that this has occurred, it argues strongly for separation of Department and PTO. PTO duties and responsibilities are not diminishing, in fact they are expanding; we, the professionals who perform the work of the Office, know that, and we know of no non-magical way that more work can be done with the same resources.

It has come to our attention that a report from the PTO describing needed resources, prepared in response to a request from Senator Bayh on November 30, 1979, was blocked by the Department. Such obstruction is most unfortunate. Congress funds the executive branch; if Congress wants some information relative to funding, it should be able to get it. If the Department of Commerce is in the business of denying Congress access to information it wants relative to the PTO, perhaps the Department and the PTO should be separate.

These remarks are submitted as supplemental to our statement of March 12, 1980, and in no way in substitution therefor.

Senator BAYH. We will recess the hearings pending the call of the Chair or a final decision that we are now prepared to mark up the bill. Thank you all for being here.

[Whereupon, at 12 noon, the committees recessed, to reconvene subject to call of the Chair.]

MATERIAL SUBMITTED FOR THE RECORD

II

96TH CONGRESS
1ST SESSION

# S. 2079

To improve the administration of the patent and trademark laws by establishing the Patent and Trademark Office as an independent agency, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

DECEMBER 5 (legislative day, NOVEMBER 29), 1979

Mr. BAYH (for himself, Mr. DANFORTH, and Mr. NELSON) introduced the following bill; which was read twice and referred to the Committee on Governmental Affairs and if and when reported to the Committee on the Judiciary

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# A BILL

To improve the administration of the patent and trademark laws by establishing the Patent and Trademark Office as an independent agency, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

SEC. 101. Title 35 of the United States Code is hereby amended as follows:

SEC. 102. Section 1 is repealed and the following is inserted in lieu thereof:

"§ 1. **Establishment**

"The Patent and Trademark Office, referred to in this chapter as the 'Office', shall be an independent agency, where records, books, drawings, specifications, and other papers and things pertaining to patents and to trademark registrations shall be kept and preserved, except as otherwise provided by law.".

SEC. 103. Section 3(a) is amended by striking out the last sentence and inserting in lieu thereof the following: "The Commissioner shall be the Chief Officer of the Office and shall be a person of substantial experience in patent and trademark matters. The Commissioner shall be appointed for a fixed term of six years and shall be removable from office by the President with the consent of the Senate, only for good cause. The Commissioner shall appoint all other officers and employees of the Office.".

SEC. 104. (a) Section 3(b) is repealed.

(b) In section 3(c) the words "Secretary of Commerce" are struck out and the word "Commissioner" inserted in lieu thereof, and section 3(c) is redesignated as section 3(b).

(c) In section 6, the words "under the direction of the Secretary of Commerce" and "subject to the approval of the Secretary of Commerce" are struck out wherever found.

(d) In section 7, strike out "Secretary of Commerce" and insert in lieu thereof "Commissioner".

(e) In section 31, strike out, "subject to the approval of the Secretary of Commerce".

(f) In section 181, the third paragraph, in the last sentence strike out "appeal to the Secretary of Commerce" and insert in lieu thereof "a right to appeal from the order under rules prescribed by the Commissioner".

(g) In section 188, strike out "Secretary of Commerce" and insert in lieu thereof "Commissioner of Patents and Trademarks".

SEC. 201. Section 1511(e) of title 15, United States Code, is repealed.

O

STATEMENT OF THE

AEROSPACE INDUSTRIES ASSOCIATION OF AMERICA, INC.

ON S. 2079

BEFORE THE

GOVERNMENTAL AFFAIRS COMMITTEE

UNITED STATES SENATE

The Aerospace Industries Association of America, Inc. (AIA) is the national trade association representing the major manufacturers of aerospace products including aircraft and manned and unmanned spacecraft, satellites and missiles, as well as the components and power plants thereof.

Being at the leading edge of advancing technology, AIA member companies have through the combined years of their experience learned to appreciate the U.S. Patent System and its inherent incentives that have so significantly contributed to advancing the nation's technological base and improving the economy through innovation. In the light of this experience, this Association expressing the views of its members, has supported legislation and implementing regulations which serve to improve or advance the U.S. Patent System, including the procedures under which patents issue.

AIA has reviewed S. 2079, introduced by Senator Birch Bayh for the purpose of establishing the Patent and Trademark Office as an Independent Agency. It is the unanimous opinion of our members that the enactment of S. 2079 would result in improved operations of the Patent and Trademark Office. Accordingly, AIA strongly supports and urges passage of the bill.

## POSITION STATEMENT ON THE U.S. PATENT SYSTEM

### INDUSTRIAL RESEARCH INSTITUTE

The Industrial Research Institute (I.R.I.) affirms the basic concepts of the U.S. patent system as originally premised in the Constitution and as they exist today. We believe that the fundamental merits of the patent system are as sound today as they were in the period of industrial growth and respect for patents in the nineteenth century and in the first half of the twentieth century. The Federal patent law still responds to the Constitutional objective "to promote the progress of . . . useful arts by securing for limited times to . . . inventors, the exclusive rights to their . . . discoveries." Continued industrial success of the U.S. requires the incentives of the patent system, not only to encourage the necessary investment of capital and effort in research and for the commercialization of inventions so that society can enjoy their benefits, but also to encourage the disclosure of inventive technology.

The grant of a limited exclusionary right by the enabling Federal patent statute in return for the prompt disclosure of newly created technology provides the basis for these incentives. Without these incentives, innovative research and development would not be supported with the degree of enthusiasm and willingness to invest risk capital that has been the American tradition. Moreover, the inventions produced by R&D might otherwise be kept secret to an extent which would inhibit technological progress. The exclusionary right granted under a well-examined patent does not take from the public anything that previously existed; rather, the patent right stimulates the creation, early disclosure, and utilization of *new* technology thus adding to the store of human knowledge. The exclusionary right often stimulates others to "invent around," resulting in further technical progress.

Our patent system has a number of features of significant merit which should be preserved and strengthened:

1. The basic requirements of a patent—novelty, utility, unobviousness, best mode, and enabling disclosure—are reasonably well developed in the statutes and patent jurisprudence. I.R.I. advises against attempts to legislate detailed changes or additions to these requirements or to introduce standards of judgment and disclosure that would be stricter than the American inventor, executive, or patent lawyer can reasonably understand and manage. Such attempts would result in unnecessary and undesirable uncertainty.

2. The U.S. Patent and Trademark Office generally performs well in its examination of patent applications, but there is room for improvement. It is staffed with many competent and dedicated professional employees of high integrity. I.R.I. encourages improvement in funding, training, and management of the examining corps and, especially, their administrative support.

3. The examination of patent applications should be as comprehensive and thorough as practicable so that issued patents will be respected by competitors of the patent owner and by the courts. Such respect is an essential part of the patent incentive for industry. This thorough examination need not be exhaustive, but should be reasonably prompt, however. Early issuance of worthwhile patents adds to the certainty of businessmen when considering the investment of risk capital to make the

new technology available to the public; they want to know if they can plan on patents of their own and whether patents of others will cause problems. Early disclosure also helps keep the published technologies current with the actual state of advance. The balance between thorough and prompt examination should be weighted in favor of thoroughness.

4. Awarding a patent to the first-to-invent rather than the first-to-file is deemed by the I.R.I. to have continuing justification. It respects the value of the individual in American tradition and avoids inequities which can result from a "race to the Patent Office"; thorough and thoughtful reduction-to-practice of meritorious technology should continue to be encouraged.

5. I.R.I. strongly endorses the present one-year grace period between certain events such as first sale or publication and the application filing date. This likewise facilitates thoughtful and thorough refinement of invention; it encourages prompt patent disclosure but with greater completeness than occurs under the abrupt requirements of those foreign countries which require absolute novelty without a grace period.

The U.S. patent system, despite its basic soundness and almost 200 years of valued existence, is not without areas where improvement could be made. I.R.I. encourages attention to the following areas, on a tailored basis, point by point, to avoid confused, poorly drafted, or overly detailed patent law revisions.

1. We recognize the generally sound examining skills of the Patent Office and the basic honesty and sincerity of patent applicants, patent owners, and patent lawyers. We also recognize, however, the inability of the Patent Office to examine applications as comprehensively as the public and courts might desire, even with the frequent assistance of the patent applicant in supplying prior art and other information to help the examination process. Without judging the merit of the criticisms, we believe that the examination procedure is criticized because it is necessarily conducted in secret to protect the invention before it is deemed patentable.

   Therefore, the I.R.I. endorses the concept of permitting useful, reasonable, and timely post-issuance participation by the public in the examination of the invention and the propriety of the patent grant.

   Such participation should occur after the patent has issued to preserve the rights of the inventor. Participation should only be permitted in a manner which strengthens the presumption of validity and adds confidence in the overall examination system; it should not unduly increase the expense and difficulty of getting a patent, and should not detract from the certainty desired by the patent owner for making a commercialization investment. The reissue practice, introduced by former Commissioner Dann, is a sound step toward this public participation, but could be improved by rule changes or legislation which would permit reasonably simple and prompt re-examination of an issued patent by permitting any person to cite prior art and possibly other re-examination considerations.* I.R.I. does not favor re-

*53% of the I.R.I. membership were in favor of limiting re-examination to published prior art; 42% were not in favor (see Patent Survey Results, attached).

examination adversary proceedings of the type employed in German oppositions or U.S. patent litigation. Such proceedings would unduly erode the U.S. patent system by favoring those patent applicants with resources and by introducing unacceptable delay and unmanageable uncertainty.

2. The I.R.I. believes that the term of a patent should be changed from the present 17 years from issuance to a term of 20 years from date of the first filing. If examination is expeditious and there is no interference, the current 17 years is satisfactory. However, there continue to be a number of patents, particularly commercially important ones, which have lengthy and complex prosecution of as much as 5 to 10 years because of refilings, appeals, or interferences. This can result in patent terms which expire as long as 22 to 27 years after initial filing. A carefully conditioned term ending 20 years after first filing will provide greater equity and certainty for patent owners and their competitors.

3. Enforceability of a patent is an integral part of the patent system because assertion in litigation is the ultimate test of the basic exclusionary property right of the patent. Many patents are afforded their deserved respect without the necessity of litigation. This respect will be broadened if overall patent quality is improved by better examination. There has, however, historically been a need to litigate patents which involve honest differences of opinion on validity and scope between the patentee and alleged infringer. Unfortunately, such litigation has become complex, lengthy, and expensive, in a large measure because of the scope of discovery; this presents difficulties for both the patent owner and accused infringer. Litigation problems have unduly discouraged patent owners, particularly those with limited financial resources, from asserting their patents because a validity determination by a court is expensive and uncertain; and if the patent is upheld, the damages may not be enough to pay for the litigation. This reluctance to assert has encouraged infringement of patents which should otherwise be respected. Litigation expense may intimidate a patent owner into accepting unfavorable settlements. Conversely, a patent owner may intimidate a weak infringer with the expense of litigation. Compounding these problems is the variance in the opinions in the Federal courts regarding patentability standards. Patent owners and infringers jockey to get into courts which favor their own interests. This further adds to the expense and uncertainty of owning patents and making investments in reliance on patents.

   The I.R.I. supports legislative and judicial efforts to decrease the expense, uncertainty, and inequities experienced by patent owners and those accused infringers having honest differences of opinion on the validity and scope of a patent. We believe that it would be worthwhile to give careful consideration to a single court of appeals for patent litigation which would speed up patent litigation and make it more uniform and certain. If such a court could institute discovery reform, litigation expenses could be reduced. This concept of a Patent Appeals Court has been controversial because of a prediction that the patent court would be rigid, technical, inflexible, and unable to handle issues ancillary to patent validity and infringement, such as unfair competition and antitrust issues. Even if this prediction were accurate, we submit that the reduction in expense, time, and uncertainty would significantly offset any shortcomings of the specialized court.

## Patent Survey Results

This is a summary of the responses to the questionnaire which accompanied the draft I.R.I. position statement on the U.S. Patent System, distributed in June 1978 to the 245 I.R.I. member companies. There were 127 responses, which provided yes or no answers to the questions. Many extra comments were also made and the numbers of these are tabulated.

A. Do you agree with the basic premises of the first two paragraphs?
Yes *100%* No *0%* 21 extra comments.

B. Regarding the U.S. Patent system features of merit, do you agree that:

1. The basic requirements are well defined and should not be changed?
Yes *93%* No *6%* No Answer *1%* 24 extra comments.
2. The Patent Office performs generally well:
Yes *86%* No *12%* No Answer *2%* 46 extra comments.
3. Thorough examination is important:
Yes *97%* No *1%* No Answer *2%* 34 extra comments.
It should be balanced with reasonably prompt examination:
Yes *97%* No *1%* No Answer *2%* 27 extra comments.
4. The patent should go to the first-to-invent:
Yes *89%* No *7%* No Answer *4%* 43 extra comments.
5. The one-year grace period should be retained:
Yes *94%* No *5%* No Answer *1%* 31 extra comments.
6. Are there any other features of merit which should be emphasized in the paper?
Yes *32%* No *50%* No Answer *18%* 42 extra comments.

C. Regarding areas for improvement, do you agree that:
The I.R.I. should take a positive approach and some initiative?
Yes *95%* No *1%* No Answer *4%* 25 extra comments.

1. The Patent Office examination should be supplemented by public participation to improve thoroughness and openness of examination:
Yes *85%* No *13%* No Answer *2%* 53 extra comments.
Such re-examination should be after issuance:
Yes *75%* No *17%* No Answer *8%* 41 extra comments.
Such re-examination should be limited to published prior art:
Yes *53%* No *42%* No Answer *5%* 54 extra comments.
Such re-examination should be moderate in procedure and scope:
Yes *78%* No *13%* No Answer *9%* 43 extra comments.
Do you agree that the Courts' and the Department of Justice's concern about the lack of public participation in the examination process will continue even if Congress loses interest in Patent Law Revision?
Yes *75%* No *13%* No Answer *12%* 40 extra comments.
2. The term of the patent should be 20 years from filing rather than 17 years from issuance.
Yes *70%* No *27%* No Answer *3%* 69 extra comments.
3. Enforceability of a patent in court is so complex, lengthy, expensive, and uncertain that the full value of the patent incentive is being eroded:
Yes *84%* No *10%* No Answer *6%* 35 extra comments.
Variance in the courts on standards of patentability is a part of these problems:
Yes *84%* No *11%* No Answer *5%* 35 extra comments.
Some legislative and judicial efforts to decrease these problems should be made:
Yes *86%* No *7%* No Answer *7%* 32 extra comments.
A single court of appeals for patent litigation should be considered:
Yes *72%* No *26%* No Answer *2%* 52 extra comments.
Would such a court, if properly organized, streamline and speed up patent litigation and make it more uniform?
Yes *76%* No *13%* No Answer *11%* 48 extra comments.
Would such a court tend to be rigid, technical, inflexible, and unable to handle issues ancillary to patents?
Yes *21%* No *64%* No Answer *15%* 69 extra comments.
If such a court did have these problems, would the improvement advantages outweigh them for the principal industrial users of the patent incentive?
Yes *59%* No *29%* No Answer *12%* 26 extra comments.
Do you know of any other legislative or judicial change which should be considered to reduce the burdens of litigation?
Yes *59%* No *11%* No Answer *30%* 84 extra comments.
Should this be used instead of, or in addition to, a single patent appeals court?
Yes *36%* No *9%* No Answer *55%* 43 extra comments.*
*(but many related to the ambiguity of the question)
4. Are there any other areas for improvement which should be emphasized in the paper?
Yes *20%* No *47%* No Answer *33%* 46 extra comments.

# The Patent Office Society

P.O. BOX 2089 · ARLINGTON, VIRGINIA 22202


March 7, 1980

Honorable Birch Bayh
Committee on the Judiciary
United States Senate
Washington, D. C. 20002

Dear Senator Bayh:

In response to your letter inviting comments on S. 2079, enclosed please find our Statement for inclusion with the record of testimony to be taken on March 12, 1980.

This Statement has been critically reviewed and approved by the Board of Directors of the Patent Office Society.

Sincerely,

Kathleen [illegible]
Secretary
for MORRIS KAPLAN, PRESIDENT

The Patent Office Society
P.O. BOX 2089 · ARLINGTON, VIRGINIA 22202

STATEMENT OF

THE PATENT OFFICE SOCIETY

ON S 2079

THE INDEPENDENT PATENT AND TRADEMARK OFFICE ACT

March 12, 1980

The Patent Office Society (Society) wishes to thank Senator Bayh for this opportunity to present the Society's position in favor of S 2079, The Independent Patent and Trademark Office Act.

The Society was founded in 1917 as an organization for patent professionals with a stated purpose of improvement of the patent system. The Society has been active since it's formation in promoting necessary reforms in the patent system and patent laws. "As early as 1917 the Society was consulted by the National Research Council for recommendations with respect to: (1) Establishing the Office as an independent agency, (2) Formation of a single Patent Court of Appeals, and (3) Patent Office staffing and salaries." It has been a long time since 1917 but the Society is here, again, today to urge the passage of this bill which will make the Patent and Trademark Office (PTO) an independent agency.

The PTO is one of the oldest agencies in our government on the basis of Article I, Section 8 of our Constitution. In fact, the Department of Agriculture is an outgrowth of the Patent Office. From the beginning of our Country until 1849, the Patent Office was part of the State Department. From 1849 until 1925, it was located with the Department of Interior, and since 1925 within the Department of Commerce. This history of dislocation can give rise to the thought that the PTO function is sufficiently different that it cannot be assimilated by, or integrated with, a larger departmental organization.

The PTO is indeed, unique in the world of governmental agencies because one of it's basic functions is to create property rights in people's new ideas. Once an applicant takes the initiative and communicates his new idea, in confidence, to the PTO there follows a quasi-judicial examination of the idea in a neutral scientific atmosphere devoid of any political, social, or public policy considerations. If the idea is determined to be new and useful, and within the statutory classes of patentable subject matter, the applicant obtains a patent which has all the attributes of property. Unless there is a reissue application, the PTO has no more jurisdiction over the patent — it does not regulate the use of it, nor does it encourage it's exploitation. What other agency in government performs such a singularly beneficial service without attaching some proviso of regulation?

For these reasons, the Society believes that the PTO should be an independent agency.

The latest home of the PTO is in the Commerce Department, Office of the Assistant Secretary for Science and Technology. The Department, in the person of the Deputy Assistant Secretary, testified before these

committees on January 24, 1980 in opposition to this bill. In that testimony the PTO was repeatedly equated with the "patent system". Such a comparison is without foundation. The PTO is a necessary and basic part of the "patent system" but it does not constitute the whole system. For example, the issuance of a patent which completes the involvement of the PTO is only the beginning of the industrial and economic benefits accruing to the inventor through his patent rights. These benefits, separate from the PTO function, are the financial incentives and rewards which make up the major portion of the "patent system".

Contrary to the testimony of the Administration spokesman, the PTO does not actively "promote innovation and industrial development", other than by it's mere existence, and it does not provide expertise concerning "product liability and industrial standards". Further, the PTO is not a "major contributor to public policy" but, more significantly, due to its quasi-judicial status, must be independent of any such considerations.

The testimony of the Department of Commerce underscores it's lack of understanding of the role of the PTO in the patent system. Such misunderstanding by the parent organization is yet another reason to support this bill.

Finally, the failure of the Department to provide adequate funding to the PTO dictates the removal of the PTO from the Department of Commerce.

This lack of adequate funding has led to the dismal record of patents being held invalid in the Federal courts is known, particularly when new references, not considered by the PTO, are introduced in court

procedings. Statistics show that at any given time up to 28% of patents are absent from the search files of the PTO and that examiners have 20 to 30% less time to spend on each application than they had 30 years ago. The time it takes to obtain a patent is increasing from approximately 18 months in 1976 to 19 months in 1978 and estimated to be 22 months in 1980. Concurrently PTO personnel staffing has decreased from almost 3,000 in 1976 to approximately 2,700 in 1979, while the number of pending patent applications has increased from about 142,000 to 152,000 during the same period. To combat these shortcomings, the PTO has repeatedly requested more funding from the Department of Commerce without success.

In each fiscal year 1977, 1978, and 1979, the PTO has had a net decrease in funding of approximately $1.5 million per year.

Reprogramming of the PTO budget has become an almost yearly exercise for the Congress. Just last year the FY '80 budget was increased $2.2 million by the Congress. This additional sum was arrived at only after officials of the Department of Commerce argued against the PTO receiving even larger funding proffered by the Senate.

During these hearings on the FY '80 budget, the Department of Commerce stated that it would require about $14 million additional funding to make the PTO as effective and efficient as possible - maintaining an 18 months pendency level. In view of all the foregoing the Department of Commerce in it's FY '81 budget requests an additional $7 million for the PTO. This request for half the necessary funding, by the Department's own admission, is yet another demonstration of the relative unimportance given to the PTO in the Department of Commerce'es list of funding priorities. It seems rather basic that

the PTO cannot perform it's function properly without adequate resources and the Department is unwilling or unable to provide those necessary resources.

Because the PTO is a totally unique agency and because it has not been fiscally supported by the Department of Commerce, the Patent Office Society advocates independent agency status for the PTO.

PAUL LOUIS GOMORY
5609 OGDEN ROAD, WASHINGTON, D.C. 20016

February 4, 1980

Senators Birch Bayh and John Danforth
363 Russell Senate Office Building
460 Russell Senate Office Building
Washington, D.C. 20510

My Dear Senators:

This constitutes my statement for the record in support of S. 2079 Bayh which would improve the administration of the Patent and Trademark laws by establishing the Patent and Trademark Office as an independent agency.

First, I take this occasion to compliment you both on your excellent, informed, and detailed conducting of the hearing on January 24, which it was my great pleasure and satisfaction to have attended.

I would like the record to show, and accordingly ask that this letter be printed in the record, that the Commissioner of Patents has indeed been, quite frequently, a "bystander" and in fact that he has been rather systematically "supressed".

For example, upon attending Former Commissioner C. Marshall Dann's confirmation, conducted by Senator McClellan, at which Mr. Dann indicated publicly that he believed some of the provisions of the then pending patent law revision bill would require more consideration, I drafted a letter dated March 12, 1974, to Mr. Kenneth R. Cole, Jr. whom I had personally met with at his home on February 3, 1974. The March 12 letter is reproduced in the addendum to this letter. Mr. Cole reported directly to President Nixon.

In my letter to Mr. Cole I had noted on different matters--patent policy and compulsory licensing in the then energy bill, S. 1283 Jackson, that the administration position was presented by Dr. Betsy Ancker-Johnson whereas Mr. Kauper presented the Department of Justice views which were disconsonant with, indeed opposed, to those of the administration. I stated that acting on this precedent it would only be fair to all of these United States, and to its investing and inventing community in particular, to have the Department of Commerce or at least the Commissioner of Patents present the views of the Patent Office.

I had heard Mr. Dann respond to Senator McClellan's question, in effect, asking Mr. Dann to there agree, which he did, that he would give his "personal" views on the then pending patent bill if he was confirmed to be Commissioner of Patents. An answer in the affirmative was given by Mr. Dann.

Three days later, the Association for the Advancement of Invention and Innovation (AAII) speaking through its Executive Director, Former Commissioner of Patents Edward J. Brenner, who had served well on the President's Commission on the Patent System, requested President Nixon to see to it that Commissioner Dann would make known his views. Mr. Brenner's letter is also a part of the addendum to this letter.

In his letter Mr. Brenner outlined the situation stating that it had been the then President's intention to have an "administration with each member having the right to express his views fully and frankly." Mr. Brenner also stated in so many words

> "It also now appears to the inventive, industrial and professional communities, that the Commissioner of Patents' views are being suppressed. If this is the case, this is indeed unfortunate since in our type of government, freedom of information should be the rule. In this connection, it seems odd that in legislating revision of the United States patent laws, the person who must direct the operations of the United States Patent Office has not been heard from anywhere, not even so far as the public knows -- and the public should know -- by the very Subcommittee of the Congress that is now working on the Administration's bill, S. 2504. This situation certainly will add fuel to the fire of those advocating that the Patent Office be established as an independent agency."

> "Thus, I urge you to take immediate steps to arrange to have the Commissioner of Patents express publicly his full and frank views on which provisions of the proposed legislation would promote and which provisions of the proposed legislation would deter the progress of invention and innovation in the country. Because time is of the essence, I hope that the Congress and the public can have the benefit of the Commissioner's comments immediately without having his views suppressed through any time-consuming procedure requiring that his comments be filtered through the Anti-Trust Division, etc. In view of the many national needs and problems requiring invention solutions at the present time, we must have the best possible patent revision bill, namely, a bill which will truly and effectively "promote the progress... of the useful arts" as our Constitution so states with respect to the establishment and operation of our patent incentive system."

Still later on March 25, 1974, Senator John L. McClellan, Chairman of the Senate Subcommittee on Patents, Trademarks, and Copyrights together with Senator Hugh Scott the ranking minority member, addressed a joint letter to the President of the United States pointing out that they believed

"...that the enactment of a sound new patent code would be appreciably facilitated if you would authorize the Commissioner of Patents to directly make known to the Subcommittee his comments on S. 2504 and proposed modifications. Our request is consistent with the authorization recently given to the Department of Justice to testify independently of the Administration's position on the patent provisions of several energy bills."

Believe it or not - and I do believe that you believe me, simply because of other evidence along the same lines - Commissioner Dann was not directed nor was he allowed to give his views. This in spite of the entreaties which included those of the Congress. The present administration did not see fit to have the present Commissioner, Mr. Sidney Diamond, testify on behalf of the office he heads!

Accordingly, knowing the situation of which you are now fully aware, I was privileged, on request, to draft certain letters for the approval and execution of Senator Hiram L. Fong of Hawaii. Those letters were addressed to Commissioner Dann, and together with responses received, are also in the addendum to this letter.

Briefly put, the Commissioner found himself "unmuzzled".

Interestingly enough, in both his responses, Mr. Dann was able to comment on provisions for reexamination which then were incorporated as provisions of Chapter 31 of S. 214, Senator Fong's bill.

You will be interested to know, I am sure, that Chapter 31 of Senator Fong's bill was identically worded in H.R. 14632, introduced by Representative Wiggins of California, and is now but for minor changes the wording of the following bills:

H.R. 5075 Butler (VA) introduced August 2, 1979;
S. 1679 Bayh (IN) introduced August 3, 1979;
S. 1860 Nelson, Bayh introduced October 4, 1979; and
H.R. 5607 Neal Smith (IA) introduced October 16, 1979.

As you know, S. 1860 and H.R. 5607 contain provisions in addition to the reexamination provisions.

It can be seen that had Commissioner Dann been permitted to give his information to the Congress early in 1974 when requested by Senator McClellan, Mr. Brenner, and by others including myself, the processing of the then pending legislation might have been accomplished entirely differently with much saving of time and effort and, importantly, advancing so many years ago, now, the climate for invention and innovation.

My statement presented to the Committee on the Judiciary, presided over by Senator Bayh on November 30, 1979, in full support of his S. 1679, is a matter of record. The statement need not be here repeated.

My statement was approved by Mr. Brenner on behalf of his association -- and so presented on November 30. A biographical sketch was included on page 26 and 27 of my November 30 statement.

Simply to emphasize the cogency of the requests that the Commissioner of Patents be permitted to take an active role in the then pending legislation, I refer to the letter of September 14, 1976, addressed to Chairman Peter W. Rodino, Jr. of the House Committee on the Judiciary by the then Secretary of Commerce, Elliot L. Richardson. In that letter, the then Secretary was, somehow, finally permitted to speak in a letter prepared by the Patent Office, giving his views in six pages accompanied by an extensively and intensively prepared, excellent addendum.

Secretary Richardson's letter and addendum made it quite clear that the then pending S. 2255, which was similar to S. 1308, a bill introduced by the administration following upon its introduction earlier of S. 2504, was simply put not a good bill. Further, in the addendum to the letter the Secretary offered a reexamination procedure which, in effect, is very much like unto that of S. 1679 and the other bills identically including the language of S. 1679.

For sake of completeness, I note that the addendum to Secretary Richardson's letter which appears at page 32 of my November 30, 1979, statement, has been reproduced in that addendum only to the extent that it dealt with reexamination. There are 19 more pages of addendum to the Secretary's letter to Mr. Rodino which have been omitted from my statement simply to save energy and printing costs.

Finally, I would like to refer to a document which has now been preserved in the Library of Congress, the Archives of the United States, and in many other places throughout our Country. It is or shall I say was a proposed "Separate Views of Senator Hiram L. Fong" 94th Congress, 1st Session. This document of 256 pages which includes a detailed "Contents", reflects the need for improving the status of the PTO and of the PTO Commissioner even as would be accomplished in S. 2079.

There are collected in the document, which now serves as a research document, various papers by Government officials, judges, eminent members of associations, views of associations, and what was probably the first inflationary impact statement ever drafted by the Admininstration.

For reasons which would simply unduly lengthen this letter and bring to the fore many unpleasant memories, Senator Fong's Separate Views were, at the last moment as it were, supplanted by a less than two-page minority view.

Pages 20-31 of Mr. Fong's Separate Views, deal exclusively with reexamination of patents and show how suppression of the Commissioner, who was not directed or even allowed to appear before the Senate, resulted, in the Senate, in a completely lopsided, wrongly taken view, emphasized by others in the administration who had the ears of certain Senators and their aides uncontradicted by the Commissioner of Patents who in effect was silenced and a "bystander" as far as Congress could see for itself!

* * *

I felt it my duty to write this letter for the record and for posterity to show how at a time when our Country needs and has needed now for a long time a much improved climate for invention and innovation, efforts on the part of those who are the experts have been sidetracked and for a long time defeated.

Hopefully, S. 2079 will become law soon. Also, hopefully, S. 1679 will become law soon. Although one optimistically says better late than never, there is another view. That view is, hopefully it's not too late now.

I submit my personal copy of the Separate Views of Senator Hiram L. Fong. Hopefully, these views which include letters in the addendum to this letter, and many other valuable documents needed to truly appreciate what has been happening in the legislative field concerning our voluntary disclosure, patent incentive inventive system, will be studied for their present value.

So that it will be preserved in your record, I ask that these Views be also included therein.

For sake of completeness of this letter, I note that I am a Director and Advisor of the Association for the Advancement of Invention and Innovation $A^2I^2$.

Respectfully submitted,

Paul L. Gomory

WASHINGTON, D.C., *March 12, 1974.*

Mr. KENNETH R. COLE, Jr.,
*Assistant to the President for Domestic Affairs,*
*White House Executive Office Building, Washington, D.C.*

DEAR MR. COLE: Thank you kindly for your letter acknowledging mine of February 3 concerning the Administration bill introduced by Senator Scott.

I had voiced a concern which still exists albeit progress has been made in alleviating some of the impractical, burdensome provisions of the bill.

Responsive to my letter of January 21 regarding patent policy and compulsory licensing in Energy Bill, S. 1283—Jackson, you advised that the Administration position was consonant with mine. Indeed, Dr. Betsy Ancker-Johnson presented the Administration position. Nevertheless, Mr. Kauper presented the Department of Justice views which were disconsonant with those of the Administration. Acting on this precedent it would be only fair to all of these United States, and to its investing and inventing community in particular, to have the Department of Commerce or at least the Commissioner of Patents present the views of the Patent Office.

The Patent Commissioner indicated publicly, at his confirmation hearing which I attended, that he believed some of the provisions of the bill would require more consideration. I respectfully suggest that he be requested to speak on those provisions. Clearly, the Commissioner of Patents implements the legislation and it is therefore important that he now participate and express his views. After all, the welfare of our country is involved. "Experts" should be requested to give their views. The Patent Office view should be made public even as was the Justice view noted above.

I do not expect you to take your time to enter into detailed considerations. However, I wish to place before you, and any person to whom you may refer this letter, examples of impractical provisions which require rephrasing if the bill is to meet its avowed objectives which are to improve the operation of the Patent Office and therefore to increase the validity of patents.

Example: Section 102 would permit invalidity of a patent to be based upon, say, a handwritten document or a model produced only abroad, as in mid-China. Yet, such a publication or model would be unavailable to the patent Examiner and to the applicants who are cooperating to promote "the progress of useful arts," (U.S. Const., Art. I, Sec. 8) in this country. Obviously, Section 102 should not require invalidity to be found based upon "prior art" which has contributed nothing in this country because it has not been ". . . reasonably available to the public in this country." Section 102 should be so amended to make it consistent with our Constitution.

Example: Section 112, relating to the disclosure to be made in an application for patent, would deny [subsection (a)(1)(B)] to the court appraisal of the validity of an issued patent sought to be upheld using the "secondary considerations" evidence which the Supreme Court recognized in *Graham* v. *Deere Co.* The court said: "Such secondary considerations as commercial success, long felt but unsolved needs, a failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented. As indicia of obviousness or nonobviousness, these inquiries may have relevancy."

Such "secondary considerations" most often come into existence after the patent has issued and therefore simply can't be put into the specification.

Example: Section 112(b) would put upon the applicant, his associates, assignees, and attorney a burden to deliver boxes of information to the Patent Office because it calls for everything these persons "know" or "contemplate." In any modern laboratory or development organization, there would be a very time-consuming search to review what is known simply because later a defendant by discovery can connect in, with hindsight, some undisclosed information which may scarcely be relevant but which a judge might well feel should have been disclosed. The judge, even as the drafters of 112(b) may not have seen it, may not "see" the complexity of the operations and records of the modern research or other organizations. Clearly, the practical and proper approach would be to limit to the knowledge which is "relevant and considered in the drafting of the specification and claims by any of the parties involved in that operation." The objective of our Patent Incentive System is still to obtain disclosure of the invention and should not be burdened unduly with requirements which tend toward invalidity rather than validity of patents and which will discourage recourse to it for protection instead of secrecy. In 112(c)(1) the knowledge should be "relevant and related to the newness of the invention." As worded, the first sentence can require boxes of information and everything in textbooks which the inventor and all his associates know to be delivered to the Patent Office. Clearly, this is not intended. But, it does permit a judge to hold invalidity for lack of compliance.

There are other provisions in the bill which can be demonstrated equally soundly to be wanting review and change.

Thank you for your consideration of the contents of this letter. I have written because I consider it my personal duty to speak up as a citizen possessed of a great many years of experience in our great Patent Incentive System in which I have devoted considerable time to matters intimately affecting its operation, including legislation.

Respectfully,

PAUL L. GOMORY.

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ASSOCIATION FOR THE ADVANCEMENT OF
INVENTION AND INNOVATION,
*Arlington, Va., March 15, 1974.*

Re Patent Law Revision.

President RICHARD M. NIXON,
*The White House,*
*Washington, D.C.*

DEAR MR. PRESIDENT: I am writing you on a subject of utmost urgency and importance at this time, namely the proposed revision of the United States patent laws now pending before the Senate Subcommittee on Patents. The mark-up of the new legislation by the staff of the Subcommittee is now in process. Yet the Subcommittee and interested members of the public, unfortunately, have not had to date the benefit of the comments on this very important subject of your newly appointed Commissioner of Patents, who indicated at his recent confirmation hearing that he believed some of the provisions of the bill would require more consideration.

You personally have indicated earlier that it is your intention that your Administration be an *open Administration* with each member having the right to express his views fully and frankly. As a former Commissioner of Patents and Executive Director for the Association for the Advancement of Invention & Innovation, I believe it is of utmost importance for all concerned to have the benefit forthwith of the expert and informed public comments of the Commissioner of Patents on the proposed legislation. Frankly, most members of the public are now aware that the Administration's patent bill, S–2504, introduced by Senator Scott was primarily dictated and drafted by the Anti-Trust Division of the Department of Justice which is probably the reason why the bill, if enacted, would result in enormous cost increases and other serious disincentives for invention and innovation in the country.

It also now appears to the inventive, industrial and professional communities, that the Commissioner of Patents' views are being suppressed. If this is the case, this is indeed unfortunate since in our type of government, freedom of information should be the rule. In this connection, it seems odd that in legislating revision of the United States patent laws, the person who must direct the operations of the United States Patent Office has not been heard from anywhere, not even so far as the public knows—and the public should know—by the very Subcommittee of the Congress that is now working on the Administration's bill, S–2504. This situation certainly will add fuel to the fire of those advocating that the Patent Office be established as an independent agency.

Thus, I urge you to take immediate steps to arrange to have the Commissioner of Patents express publicly his full and frank views on which provisions of the proposed legislation would promote and which provisions of the proposed legislation would deter the progress of invention and innovation in the country. Because time is of the essence, I hope that the Congress and the public can have the benefit of the Commissioner's comments immediately without having his views suppressed through any time-consuming procedure requiring that his comments be filtered through the Anti-Trust Division, etc. In view of the many national needs and problems requiring invention solutions at the present time, we must have the best possible patent revision bill, namely, a bill which will truly and effectively "promote the progress . . . of the useful arts" as our Constitution so states with respect to the establishment and operation of our patent incentive system.

Respectfully submitted.

EDWARD J. BRENNER,
*Executive Director.*

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
SUBCOMMITTEE ON PATENTS, TRADE-MARKS, AND COPYRIGHTS,
*Washington, D.C., March 25, 1974.*

The PRESIDENT,
*The White House,*
*Washington, D.C.*

MY DEAR MR. PRESIDENT: The Senate Subcommittee on Patents, Trademarks and Copyrights is currently processing S. 2504, the Administration bill for general revision of the patent law. We anticipate early action by the Subcommittee to report this legislation.

As you stated in the message to the Congress on September 27, 1973, S. 2504 provides for the first comprehensive reform and modernization of the American patent system since 1836. It is imperative that this complex legislation be subjected to careful analysis by those most knowledgeable in the functioning of the patent system.

The pending legislation would require significant changes in the procedures of the Patent Office. We therefore believe that the enactment of a sound new patent code would be appreciably facilitated if you would authorize the Commissioner of Patents to directly make known to the Subcommittee his comments on S. 2504 and proposed modifications. Our request is consistent with the authorization recently given to the Department of Justice to testify independently of the Administration's position on the patent provisions of several energy bills.

In view of our desire to obtain early passage by the Senate of S. 2504, we hope that this request will be acted on as soon as possible.

With highest personal regards, we are

Respectfully yours,

JOHN L. MCCLELLAN,
*Chairman.*

HUGH SCOTT,
*Ranking Minority Member.*

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U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
*Washington, D.C., April 28, 1975.*

Hon. C. MARSHALL DANN,
*Commissioner, Patent and Trademark Office,*
*Arlington, Va.*

DEAR COMMISSIONER DANN: Kindly refer to my comments in the Congressional Record of January 17, 1975, pages S387–S413.

The referenced pages, which also include my bill, S. 214, explain my reasons for introducing my patent bill.

In the light of the comments, with which I am sure you are familiar, I ask your opinion on the following points. Kindly bear in mind, the substance and requests of my letters of March 3 and March 11, 1975, addressed to the Secretary of Commerce, then Frederick B. Dent, copies of which are attached for your ready reference.

It would help me personally in working with my aide and to hopefully end the years of frustration, since the President's Commission on the Patent System rendered its report in 1966, to have your personal views on my bill.

Your comments on the following points will bear influentially on my considerations because of your intimate knowledge and experience in and with our voluntary disclosure patent incentive inventive system, especially in view of your more recent experience of well over a year as Commissioner of Patents.

(1) Generally, can the Patent Office operation be effectively conducted under my bill?

(2) Specifically concerning the examination operation provided for in my bill:
(a) Will the examination of applications for patent be effective?
(b) Will reexamination of patents be effective?
(c) Will the presumption of validity of patents, as issued, be enhanced in view of the knowledge on the part of applicants of possible reexamination under Chapter 31?

(3) Will the ultimate validity of patents be sufficiently improved by my bill:
(a) Generally?
(b) On a cost-effectiveness basis?
(c) On the basis of burden on the Patent Office relative to the results accomplished under S. 214?

(4) What are the costs of those provisions of my bill which are new to Title 35 U.S.C.:

(a) Respecting additional manpower hours needed?

(b) Dollar costs of operation of the Patent Office?

With respect to my comments above mentioned, and particularly to the "Overview" on page 389 in column two, do you, Mr. Commissioner, beieve that the principal problems known to and addressed by the President's Commission on the Patent System (1966) can be solved by the Commissioner's regulations under the provisions of my bill, in the drafting of which I sought to avoid undue statutory rigidity? Kindly refer on page 391 in the third column to "Commissioner's Freedom to Regulate Appropriately."

(5) What effct on or change of the incentive to continued use of the Patent System by the inventive community will result if the new provisions of my bill are enacted into law:

(a) In general?

(b) With respect to protection by trade secret alternative?

(c) With respect to the requirement for maintenance fees:

(1) As in my bill?

(2) On an annual basis of minimal amounts payable to raise some of the patent office operation expenses?

(6) I will also appreciate greatly your views on whether my bill in your opinion is in the direction of attaining the objectives of the President's Commission:

(a) In general?

(b) Specifically:

(1) Shortening the period of pendancy of an application for patent?

(2) Accelerating public disclosures of technological advances?

(3) Reducing or at least keeping at a minimum the expense of obtaining a patent?

(4) Reducing the amount and or expense of litigating a patent?

(5) Keeping or rendering U.S. patent practice compatible with those of other countries consistent with the objectives of our voluntary disclosure system?

(6) Preparing the patent system and in particular the Patent Office operation to cope with increasingly exploding technology?

(7) Whether these objectives can be reached by incorporating into Title 35 one or more portions or sections of my bill? If so, please identify such portions or sections.

Finally, because I believe that you are the most qualified person in the Administration to speak on patent legislation, your personal opinion is solicited in view of your intimate knowledge of Patent Office operation. You, of course, can view my bill in the light of your many years of experience at the bar which includes your experience in the procedures and costs of obtaining patents.

I am also today asking the General Council of the Commerce Department, Mr. Karl Bakke, for his personal opinion of my bill. Herewith enclosed, kindly find a copy of my letter to Mr. Bakke.

As you know, selection of a bill for markup is imminent. I am currently awaiting answers to my above-mentioned letters and to similar letters addressed to bar association. Accordingly, your early convenient reply will be helpful and greatly appreciated.

I thank you now for your early, convenient reply to the questions in this letter.

With warm regards and aloha,

Sincerely yours,

HIRAM L. FONG.

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U.S. DEPARTMENT OF COMMERCE,
PATENT OFFICE,
*Washington, D.C., May 16, 1975.*

Hon. HIRAM L. FONG,
*U.S. Senate, Washington, D.C.*

DEAR SENATOR FONG: Your letter of April 28, 1975 asks my opinion with respect to a number of specific inquiries about your patent revision bill S. 214. I will attempt to respond to the questions as asked.

1. If S. 214 were to become law, there would be no difficulty in adjusting the procedures of the Patent and Trademark Office to operate effectively under that law.

2. It should be possible to carry out an effective examination under the provisions of the bill and to conduct an effective reexamination when prior art was submitted by members of the public. I believe prior art submitted in connection with reexamination would receive the same consideration as art initially discovered during the original examination.

I would not expect much change in the presumption of validity of patents, as issued, under the bill, since at that point there would have been no opportunity for public participation in the examination process. The presumption should be enhanced when a patent is litigated, however, since by that time all the prior art would have been considered and overcome before the Patent and Trademark Office.

3. As compared with present law, the ultimate validity of patents which survive examination and reexamination should be considerably improved, in view of the chance for all interested persons to bring forth the best art they know of at any time during the life of the patent. This improvement in validity would be obtained at modest cost and without significant added burden to the Patent and Trademark Office.

4. It is estimated that operations of the Patent and Trademark Office under your bill would require from 100 to 150 additional positions, an increase of 3 to 5 percent. The increased cost, based on fiscal year 1974 costs, would be 2.4 to 3.4 million dollars.

To the extent that procedural matters are not dealt with in your bill and are left for handling by Commissioner's regulation, it should be possible to accomplish this so as to achieve the principal objectives of the President's Commission.

5. I would not expect your bill to have any adverse effect on patent incentives. There might be a positive effect, since the validity of patents should be enhanced. Enactment of the bill should not affect the protection of trade secrets.

I would not expect maintenance fees in the amounts set forth in your bill to have any substantial effect on the incentives of the patent system. The impact of these fees would ordinarily fall only on those patentees who had found it possible to commercialize their inventions.

Establishment of annual maintenance fees, even on a minimal basis, would seem to me more burdensome both to the patentee and to the Patent and Trademark Office. More record keeping would be involved and the fees would be payable at a time when the patentee might have little idea whether he would ever make any money from his invention.

6. Your bill does appear to me to be in the direction of attaining the objectives of the President's Commission. Provision for the 20-year term should be helpful in shortening patent pendency, though otherwise the bill would not seem to have significant effect on pendency as compared with present law. To the extent that the bill encourages the filing of patent applications, it helps to accelerate public disclosure of technological advances.

The bill would not add much to the cost of obtaining a patent, while the provisions of Chapter 31 would be expected to reduce substantially both the amount and the costs of patent litigation. Under your bill our patent system should remain compatible with the systems of other countries, and should be able to cope with modern technology developments.

I believe that present Title 35 could be improved by incorporating portions of your bill, as for example, provisions for reexamination on the basis of prior art submitted by members of the public, for patentability briefs from applicants, and for requiring applicants to make full disclosure to the Office of pertinent facts.

I hope this will be helpful to you and would like to thank you for the active interest you have shown in working toward an improved patent system.

With best regards,

Sincerely,

C. MARSHALL DANN,
*Commissioner of Patents and Trademarks.*

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U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
*Washington, D.C., May 9, 1975.*

Hon. C. MARSHALL DANN.
*Commissioner, Patent and Trademark Office,*
*Arlington, Va.*

DEAR COMMISSIONER DANN: In my April 28 letter to you I referred to my comments in the Congressional Record of January 15, pages S 387-413. I also referred to the substance and requests of my letters of March 3 and March 11 addressed to the then Secretary of Commerce, Frederick B. Dent, of which copies were furnished for your ready reference.

At the time of these letters, no bill had been chosen for markup. Now S. 23 has been chosen for markup. Therefore in considering your now expected reply. I would be most appreciative if it would also be directed to the attached questions in my addendum which are directed to the substance and procedures of S. 23. Such

information will aid me greatly in deciding what amendments I may offer to S. 23. I will still also rely upon your opinion with respect to the questions of my letter of April 28. Accordingly I ask you to kindly combine your answers to the questions in my addendum with those forthcoming from my letter of April 28.

As you know, great care was exercised in the preparation of my bill, S. 214, which took into account positions and recommendations received from interested parties, including importantly the patent bar.

Any amendments I may offer will be prepared in the light of provisions of my bill and comments you may make on both my bill S. 214 and S. 23.

I am advised that amendments to be considered in markup must be submitted to the Chief Counsel of the Subcommittee not later than May 20, so you can see that time is of essence.

Your early convenient cooperation in responding to my letters will be very much appreciated.

I have also recently noted with keen interest, Secretary Morton's response to the Senate Commerce Committee's questions. (P.T.C.J., May 1, 1975, pp. A–4 and A–5)

With warm regards and aloha,

Sincerely yours,

HIRAM L. FONG.

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U.S. DEPARTMENT OF COMMERCE,
PATENT OFFICE.
*Washington, D.C., June 2, 1975.*

Hon. HIRAM L. FONG,
*U.S. Senate,*
*Washington, D.C.*

DEAR SENATOR FONG: This letter is in reponse to your letter of May 9, 1975, which notes that S. 23 has been chosen as the basis for the mark-up of a patent revision bill. Your earlier letter of April 28 asked my opinion on various points relating to your bill S. 214, and your now ask that I expand the answer to include S. 23 as well.

My response to your letter of April 28 was already completed and forwarded to the reviewing officials in the Department of Commerce and the Office of Management and Budget when your May 9 letter was received. I believe you have now received that response. Accordingly, in the present letter I will try simply to answer the questions asked in the addendum to your May 9 letter.

Taking up your specific questions:

(1) If S. 23 were to become law, there should be no trouble in accommodating the procedures of the Patent and Trademark Office for effective operation under that law, with one possible exception. According to our analysis, if deferred examination is put into effect without some provision for regulating the Office workload, there could be a drastic reduction in the number of applications available for examination during the first few years after the law became effective. This might make it necessary for us to reduce our professional examining staff by as much as two-thirds, and within a few more years to attempt to build up again to approximately three-fourths of the present level. The Administration does not consider deferred examination necessary or desirable, but if it should be included, I would urge strongly that there be some provision to give the Office a degreee of control over the amount of its workload.

(2) The effectiveness of the Patent and Trademark Office operation, in the sense of being able to conduct a more thorough examination, should be improved by the provisions of either S. 23 or S. 214 over present law, since in each case there is opportunity for the public to bring forward prior art or other information bearing on patentability.

(3)(a) As between S. 23 and S. 214, it is difficult to say which will produce more effective examination of applications for patent. S. 214 affords somewhat greater flexibility in Office procedures.

(b) The inter partes procedures available under S. 23 will in some cases produce information not otherwise available and to that extent will provide more effective re-examination. On the other hand, under S. 214 the opportunity to oppose at any time during the life of the patent and consequently the likelihood that oppositions will be brought at a time when the opposer is seriously concerned with the patent will mean that usually a more thorough search will have been made by the opposer. On balance, I would expect more effective re-examination under S. 214.

(c) I would not expect much difference in the time consumed for the examination of applications under S. 23, S. 214, or present law. Application pendency would, of course, be prolonged for those applications under S. 23 where deferred examination was invoked.

(d) Because of the inter partes nature of the proceedings, re-examination under S. 23 would be more time consuming than under S. 214.

(e) In his May 6, 1975 response to your letters of March 3 and March 11, 1975, Acting Secretary Tabor estimated that the additional cost of operation of the Office under the opposition procedures of S. 23 would be from 2.7 to 8.0 million dollars. The additional costs of operation due to the opposition provisions in S. 214 were estimated to be 0.5 to 1.5 million.

(4)(a) The ultimate validity of patents under S. 23 should be improved over that obtained under present law, largely because of the opportunity for re-examination. Under S. 214 the requirement that all prior art be submitted to the Patent and Trademark Office before being used in court should mean that any patents surviving re-examination will enjoy a considerably enhanced presumption of validity.

(b) Our analysis indicates that operation under S. 23 will be more expensive than either S. 214 or present law. Again referring to Acting Secretary Tabor's letter of May 6, it was estimated that the total additional costs of operation for the Office under S. 23 would be 18.1 to 18.4 million dollars compared with a total additional cost under S. 214 of 2.4 to 3.4 million.

(c) The ultimate validity of patents should be improved by the provisions for re-examination and the insistence on completeness of disclosure of any facts bearing on the right to patentability. Both S. 23 and S. 214 contain such provisions.

(5) Although some of the objectives of the pending bills could presumably be accomplished by regulations, this is not true in all cases. For example, without change in the law, it is not possible to require re-examination for all applications for all patents. As I believe you know, the Office is currently experimenting with a voluntary protest procedure. Of 2,000 applicants offered the chance to have their applications published for protest, one-third elected to do so. During the three-month period following publication, 9 percent of the published applications attracted protests. The Office is currently studying the references submitted and does not yet have any figures on how many may ultimately be rejected on this basis.

(6) Acting Secretary Tabor's letter of May 6 analyzed those areas of S. 23 and S. 214 which are new to present law and appear to have the greatest cost implications. These costs are reproduced in the table below, expressed in terms of fiscal year 1974 costs except where otherwise indicated.

COST IMPLICATIONS OF S. 23 AND S. 214

| | S. 23 (McClellan) | S. 214 (Fong) |
|---|---|---|
| Sections 3(d) and 24 | 1.9 | 0.5 |
| Section 115 | 2.5 | |
| Section 41 | .4 | .4 |
| Oppositions | 2.7–8.0 | .5–1.5 |
| Miscellaneous provisions | 4.9 | 1.0 |
| Deferred examination | .7 | |
| Total | 13.1–18.4 | 2.4–3.4 |
| Mean (fiscal year 1974) | 15.8 | 2.9 |
| Estimated (fiscal year 1976 basis) | 18.1 | 3.3 |

Operations of the Patent and Trademark Office under S. 214 would be expected to require from 100 to 150 additional positions. Operation under S. 23 would require 500 to 800 additional positions except for reductions in examining requirements which would presumably result from deferred examination. Depending on the assumptions used, net additional needs under S. 23 with deferred examination might be about 100–400 positions.

(7) (a) and (b) If S. 23 becomes law, I believe that it will have both positive and negative effects on the incentive to continued use of the patent system. To the extent that it produces a greater presumption of validity, filing of applications will be encouraged. On the other hand, the increased costs and the danger of unintentionally running afoul of some of the procedural requirements will induce some to rely on secrecy instead of patent protection. Less of this negative effect would be expected under S. 214.

(c) Whenever patent procedures become more expensive, risky or burdensome, there is incentive to maintain inventions as trade secrets. This incentive would be somewhat greater under S. 23 than under S. 214, but I would hope and expect that most would still choose to use the patent system under either bill.

(d) Maintenance fees in the amounts contemplated by S. 23 and S. 214 should not have very much effect on the incentives to file, although obviously the effect will be greater as the fees become higher. As indicated in my earlier letter, annual maintenance fees would seem to me more burdensome to the patentee and to the Patent and Trademark Office than larger amounts payable at the times provided in the pending bills.

(8)(a) In my judgment, both S. 23 and S. 214 will accomplish some of the objectives of the President's Commission and will fail to accomplish others.

(b)(1) Neither bill would be expected to shorten the period of application pendency, since the Office expects to reach eighteen-month average pendency in another year. Pendency of any applications deferred under S. 23 would be lengthened.

(b)(2) There should be little change in the time of public disclosure of technological advances under either bill as compared with present law. Under S. 23 the inventions of those choosing deferred examination would be published shortly after eighteen months, but this will be about the same as the average under the present law. To the extent that any potential patent applicants are dissuaded from filing because of added costs or other burdens, there might be a net decrease in public disclosures of new technology.

(b)(3) Both bills would add to the expense of obtaining a patent. The increase would be greater for S. 23 than for S. 214.

(b)(4) Both bills should reduce the amount of litigation and the expense of litigating a patent, largely because of the provisions favoring arbitration of patent disputes. In addition, it would be expected that the amount and costs of patent litigation under S. 214 would be substantially reduced by the requirement that all prior art must first be considered in the Patent and Trademark Office. This would weed out a number of patents which would otherwise be litigated and would give a greater presumption of validity for the others.

(b)(5) Procedures under the two bills are generally consistent with foreign practice, although any increase in disclosure requirements will tend to make U.S. practice diverge from those of all other countries.

(b)(6) The procedures of both bills should be flexible enough to cope with the developments of modern technology.

(b)(7) As mentioned in my response to your April 28 inquiry, I believe present law could be improved by incorporating portions of your bill such as the provisions for re-examination on the basis of prior art submitted by members of the public, patentability briefs and requirements that applicant make full disclosure to the Office of known pertinent facts. The objectives of the President's Commission might be more fully realized if the provisions of Chapter 31 of S. 214 were incorporated into S. 23.

Finally, I should mention that none of my comments should be taken as in any way altering the Administration's position on patent law revision.

With kindest personal regards.

Sincerely,

C. MARSHALL DANN,
*Commissioner of Patents and Trademarks.*

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

SEP 14 1976

Honorable Peter W. Rodino, Jr.
Chairman
Committee on the Judiciary
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Proposals to revise our patent laws have been continuously pending in Congress for ten years. S. 2255, passed by the Senate on February 26, 1976, and referred to the House, is the latest effort to modernize the law to accommodate the accelerating progress of science and technology, the changing nature of applied research, and the vast proliferation of technological information. Although it is evident that the House will not have time this session to consider the many complex issues contained in S. 2255, I believe our comments will be helpful to future consideration of patent law revision proposals. In offering these comments, I would like to emphasize that they represent the views of the Department of Commerce only and not necessarily those of the Administration.

The Department of Commerce is concerned that many of the provisions of S. 2255 will be excessively expensive and unduly burdensome, both to the patent applicant and to the Patent and Trademark Office. The bill establishes some new procedures which are not needed, and fails to establish some that are needed. Finally, many of the provisions in S. 2255 include unnecessary detail, better left to agency rules. Included herein and appended hereto are our suggestions for improving S. 2255.

Background

Patent law is of vital concern to this Department and to the Nation as a whole since patent law can exert a strong influence on the development and use of new technology. While consensus exists that some revision of the patent law is timely and appropriate, substantial opposition to S. 2255 has been expressed by concerned citizens and by members of the patent bar.

32

We are conscious that in a number of respects S. 2255 is similar to S. 1308, the bill introduced by the Administration. The Department of Commerce, however, did not concur with every provision of S. 1308. While, from our perspective, S. 2255 makes some substantial improvements in S. 1308, we feel that additional modifications are necessary to achieve effective, acceptable and viable patent law revision.

Among the improvements in the Senate-passed bill over S. 1308 are the following: disclosure requirements have been modified to eliminate an implication that confidential proprietary information must be disclosed; public involvement is provided after the grant of a patent rather than before, thus eliminating double publication; review of decisions of the Court of Customs and Patent Appeals would remain in the Supreme Court rather than be switched to the Court of Appeals for the District of Columbia; procedural pitfalls which could have resulted in deserving inventions' being denied protection have been eliminated; and numerous drafting redundancies and ambiguities have been eliminated. Notwithstanding these improvements, from the standpoint of the Department of Commerce, the Senate-passed legislation contains a number of features which would make more expensive and more burdensome the obtaining of a patent and would lead to less certainty of protection by that patent. Thus, we fear that the Senate-passed bill would reduce rather than increase incentives to use the patent system. It would therefore reduce the incentives for voluntary investment in, and disclosure of the results from, research and development activity. The reduced incentive to use and thus disclose via the patent system would lead to an increasing reliance upon a trade secret approach to protect new technology, resulting in needless duplication of work and the loss of additional technological advances which might have been stimulated by disclosure. It is our belief, however, that S. 2255, if suitably amended, can serve as the basis for sound and desirable reform.

Costs

The Administration estimated its bill would increase the estimated current $1500 average cost to the applicant to obtain a patent by 75 to 100%, and many believed this too conservative. The cost increase to the Government was estimated to be nearly 20 million dollars. The estimated costs to applicants under S. 2255, while lower than the Administration bill, are still much too high. Although we cannot quantify the impact on the public of these cost

increases, we are confident that significantly fewer patent applications will be filed. The resultant loss of public disclosure of technological information, the loss of incentives to invent or to invest in research, development, and commercialization of new products and processes is bound to have an adverse effect on our technological progress and economic growth.

Burdensome Procedures: Reexamination

An important concept of patent law reform is that at some point before a patent can be enforced there should be opportunity for members of the public to come forward with reasons why the patent should not be enforceable. Unfortunately, sections 135 and 135A of S. 2255 provide this opportunity in an unnecessarily burdensome and costly way.

Under section 135, any member of the public, who during the first year after grant presents reasonable grounds for rendering a patent claim invalid, may provoke an inter partes opposition proceeding. In this proceeding the patentee is subject to full discovery, including interrogatories, extensive document production and the taking of testimony. Thereafter, for the balance of the patent term, section 135A provides for a second inter partes reexamination proceeding, this time limited to prior patents, publications and other information in tangible form. Either party may appeal to the courts the decision ultimately reached by the Office in either type of opposition proceeding.

These provisions invite harassment of the patentee. They could be particularly burdensome to patentees of limited means--independent inventors and small business concerns. There are several aspects of S. 2255 designed specifically to assist inventors of limited means: upper limits on filing, examination, and issuance fees and an opportunity to defer maintenance fees. However, the potential costs associated with the opposition and reexamination procedures under sections 135 and 135A of S. 2255 not only could begin to accumulate immediately after grant, but could far exceed the token concessions granted such individuals with respect to government fees.

A simpler and less burdensome procedure, but one essentially as effective in bringing forth information bearing on patentability, is available. Under this procedure, set forth in detail in the attachment to this letter, prior patents and

publications could be submitted for consideration by the Patent and Trademark Office at any time during the life of the patent, and patents and publications could not be used to prove invalidity in an infringement or declaratory judgment action unless first submitted for Office consideration. Neither discovery nor appeals by the opposer would be permitted. The court would thus have the benefit of the views of the Office experts on all cited references, but would be no more bound by those views than it is today.

This procedure would effectively bring forth the best art, but would be less expensive and less burdensome than the provisions for public participation in S. 2255. It would reduce and simplify patent litigation. In our opinion it should be substituted for the procedures contained in S. 2255.

Deferred Examination

The Department of Commerce agrees with the Administration that the procedure referred to as "deferred examination" is not needed or desirable at this time. Under the system which S. 2255 would establish, the examination of a patent application by the Office would normally be deferred until requested by the applicant. If no request for examination is made within five years from the earliest date to which the application is entitled, the application is regarded as abandoned. Since a request for examination would not be made in every application, it is argued that with fewer applications to consider the examiner could spend more time on each application. This argument, however, ignores the administrative realities by which a decrease in workload is normally accompanied by a corresponding decrease in appropriations and staffing.

Furthermore, the publication of unexamined and unscreened applications required under the deferred examination system of S. 2255 would unjustifiably swell the volume of technical literature, would force potential competitors to make in effect their own examination, and, as indicated by the Assistant Attorney General for the Antitrust Division (Hearings on S. 1321 Before the Subcommittee on Patents, Trademarks and Copyrights of the Senate Committee on the Judiciary, 93rd Congress, 1st Session 299 (1973)), could have a chilling effect on competition. For these reasons, sections 191-194 and those other parts of S. 2255 which provide for deferred examination should be deleted.

Joint Inventions

The complexities of modern science and technology, coupled with the specialization of today's engineers and scientists, have resulted in the extensive use of organized research teams funded by government, industry and the universities. Cooperative effort of this sort should be encouraged and not penalized by unnecessary technical requirements with respect to patents for inventions made jointly by two or more inventors. We urge amendment of section 116 to permit filing by several inventors where they have jointly contributed to at least one claim in the application.

Administrative Provisions

Section 1 of S. 2255 would substantially modify current law concerning the establishment of the Patent and Trademark Office and its relation to the Department of Commerce. In order to clarify the relation of the Office to the Department, it is suggested that section 1 be modified to indicate that the Office and its functions shall be continued in the Department of Commerce under the Secretary of Commerce. Furthermore, since decisions concerning initiation of judicial proceedings and rulemaking involve broad policy considerations which are appropriate for departmental review, the Office should not be independent of the Department in these matters.

Section 3 of S. 2255 would elevate the Commissioner of Patents to an Assistant Secretary of Commerce. Not only is this undesirable because it sets a precedent for the proliferation of Assistant Secretaries, but the Patent and Trademark Office, which is composed of scientists and engineers, should be associated with other science and technology operating units under the jurisdiction of an Assistant Secretary for Science and Technology.

Drafting Approach

Finally, the bill should be amended to minimize unnecessary procedural rigidity and to avoid procedural traps. The drafting of S. 2255, carried over from earlier bills, evidences a strong tendency to rewrite unnecessarily each section of present law, often introducing unintended changes in substance or including procedural details which are more appropriate for implementing regulations.

Sections 112 and 132 are among those sections containing provisions which would significantly limit the flexibility of the Patent and Trademark Office to modify its procedures as experience dictates. In other sections, some of which have been the subject of extensive litigation, the language seems to have been changed for no particular reason. For instance, 35 U.S.C. §112 (1952) of existing law requires a disclosure of an invention sufficient to enable any "person skilled in the art" to make and use it. The same section in S. 2255 has been modified to require that the disclosure be such as to enable any "person having ordinary skill in the art" to make and use the invention. Notwithstanding the fact that the proper interpretation of the phrase "person skilled in the art" has been addressed in more than 100 cases (35 U.S.C.A. §112 n.50), this change and the significance to be attributed to it are not even mentioned in the report accompanying S. 2255. A number of suggestions to improve the drafting of S. 2255, as well as language to implement the points previously mentioned, are included in the attached appendices.

In our view, the changes proposed for S. 2255 in the attached appendices would make that bill an acceptable revision of our patent law: a revision which improves the strength and reliability of the patent system, while enhancing the incentives to invent, invest in, and disclose new technology. It is our hope that these suggestions will receive due consideration when patent law revision is considered in the 95th Congress.

With warm regard,

Sincerely,

Elliot L. Richardson

Enclosures

Prepared by BLGrossman/lcf/9-8-76
Patent & Trademark Office (OLIA)
Clearance: Kirk - PTO (OLIA)
Dann - PTO
Ancker-Johnson - S&T

cc: Secretary
A/S Sci. & Tech. (2)
A/GC Sci. & Tech.
G.C. Legis.
G.C. Chron/Read
Mr. Sprague
Exec. Sec.
Comr. Dann, CP3-11E10
D/Comr. Parker
A/C Patent Examining
A/C Trademarks
A/C Administration
Solicitor
OLIA, CP6-1108

37

## I. OPPOSITION AND REEXAMINATION

The provisions dealing with oppositions during the first twelve months from issuance (section 135, page 40, lines 20 through 39 and page 41, lines 1 through 39) as well as the provisions dealing with reexamination for the balance of the term (section 135A, page 42, lines 1 through 39 and page 43, lines 1 through 38) should be deleted and the following provisions dealing with pre-litigation reexamination substituted. The proposed substitution for sections 135 and 135A sets forth procedures for a reexamination; the suggested additions to section 282 set forth a requirement that prior art be considered by the Patent and Trademark Office before it may be relied upon in litigation.

-- Section 135. Reexamination

(a)(1) At any time within the period of enforceability of a patent, any person may request reexamination of such patent pursuant to this section.

(2) Such person shall:

(A) file a written request for such reexamination,

(B) notify the Commissioner in writing of any patents or accessible printed or other tangible form of publications that may have a bearing on the validity of any claim of the patent at issue, and

(C) submit an explanation of the relation of such patents and publications to the patentability of the claim or claims involved. The written request shall become a part of the official file of the patent. The identity of the person filing such request will be excluded from such file upon his request to remain anonymous.

(b)(1) Unless the requesting person is the patentee, the Commissioner shall promptly provide the owner of the patent, as indicated from the records of the Office at the time of the filing of the request, a copy of such reexamination request together with the patents and publications cited pursuant to subsection (a)(2).

(2) Within 90 days following the filing of a request for reexamination, the Commissioner shall make a determination as to whether a substantial new question of patentability affecting any claim of the patent at issue is raised by the consideration of the patents and publications cited pursuant to subsection (a)(2). The Commissioner on his own initiative may make such a determination at any time.

(3) A record of the Commissioner's determination shall become a part of the official file of the patent, and a copy of it sent promptly to the owner of the patent.

(4) A negative determination by the Commissioner shall be final and non-appealable.

(5) If the Commissioner finds that a substantial new question of patentability is raised, he shall order a reexamination of the patent.

(6) The patent owner shall be given a reasonable period, not less than two months, after the filing of the reexamination order within which he may file a statement on the issues for consideration in the reexamination. The patent owner shall be provided an opportunity in any reexamination proceeding to present new or amended claims in order to distinguish the claim or claims from patents or publications cited pursuant to subsection (a)(2) of this section. No such amendment shall materially enlarge the scope of the claim or claims of the patent or add new matter.

(7) The owner of a patent involved in a reexamination proceeding under this section may appeal from a final decision adverse to the patentability of any claim, or new or amended claim, of the patent. Such appeal shall be in accordance with section 134, sections 141 through 145, or other pertinent sections of this title. --

Section 282, page 67, line 14, after "patentability", insert -- , provided, however, that no patent or printed publication 40

may be relied upon as evidence of non-patentability unless it was cited by or to the Office during prosecution of the patent at issue or was considered by the Office in accordance with section 135 of this title --

Section 282, page 67, line 22, "(4)" should be deleted and -- (3) -- substituted therefore.

Section 282, page 67, following line 41, add the following:

-- (D) The court shall stay all proceedings in the action until at least 20 days after the final determination in regard to any request for any reexamination which was made in accordance with section 135 of this title by any party against whom a pleading presents a claim for infringement or for adjudication of the validity of a patent, provided that such request was made within six months of the bringing of the action and before any responsive pleadings are made.

(E) The court, on motion and upon such terms as are just, may at any time stay the proceedings in a civil action in which the validity of a patent is in issue for a period sufficient to enable the moving party to cite to the Office newly discovered additional prior art in the nature of patents or accessible printed or other tangible form of publications and to secure final determination of a request for reexamination

of the patent in the light of such additional art, provided the court finds that such additional prior art, in fact, constitutes newly discovered evidence which by due diligence could not have been discovered in time to be cited to and considered by the Office within the period of a stay of such proceedings that was or could have been secured according to subparagraph (D) of this paragraph.

(F) The party or parties whose complaint commencing a civil action presents a claim for infringement or for adjudication of the invalidity of a patent shall have the right, by notice served upon the other party or parties and filed in the action at any time within the period of the stay ordered by the court pursuant to subparagraphs (C) or (D) of this paragraph, to dismiss such complaints without prejudice and without costs to any parties. --

Page 68, paragraph "(3)", lines 6 through 9, should be deleted and paragraph "(4)", line 10, renumbered to read -- (3) -- .

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Note by PLG

Please note, there are 19 more pages of Addendum attached to Secretary Richardson's letter of September 14, 1976, to Chairman Peter W. Rodino, Jr. Note relating to reexamination by PTO, these pages have been omitted to save energy and for sake of brevity.

42

AARPAA

AMERICAN ASSOCIATION OF REGISTERED PATENT ATTORNEYS AND AGENTS

299 BROADWAY, SUITE 1700 NEW YORK, N Y., 10007

February 5, 1980



Senator Birch Bayh
363 Russell Senate Office Bldg.
Washington, D.C. 20510

Re: S-2079

Dear Senator:

The executive Committee of our association, as in the past, overwhelmingly favors the separation of the U.S. Patent and Trademark Office from the Department of Commerce, in the interest of a better Patent and Trademark system. We believe that this change is in accordance with the administration's policy of stimulating the innovative process in America.

Accordingly, we strongly support S-2079, your bill providing for an independent Patent and Trademark Office. To this end, for your consideration, we offer to testify, or assist in an advisory capacity at any future hearings or informal meetings of your committee.

Very truly yours,

A. L. Gazzola
22 Main St.
Montvale, NJ 07645
(201) 337-5812

cc: Members of the Senate Committees on Government Affairs and the Judiciary.

AMERICAN BAR ASSOCIATION

SECRETARY
F. Wm. McCalpin
Room 1400
611 Olive Street
St. Louis, MO 63101

1155 EAST 60TH ST., CHICAGO, ILLINOIS 60637. TELEPHONE (312) 947-4016

February 22, 1980

Honorable Birch Bayh
United States Senate
Washington, D. C. 20510

RE: U.S. Patent and Trademark Office

Dear Senator Bayh:

At the meeting of the House of Delegates of the American Bar Association held February 4-5, 1980 the attached resolution was adopted upon recommendation of the Section of Patent, Trademark and Copyright Law The action taken thus becomes the official policy of the Association in this matter.

This resolution is transmitted for your information and whatever action you may deem appropriate. Please do not hesitate to let us know if you need any further information, have any questions or if we can be of any assistance.

Sincerely yours,

F. Wm. McCalpin

FWM/LAD/dfg
Attachment
4772C/4770C

cc: Morton David Goldberg, Esquire
Chairman, Section of Patent, Trademark and Copyright Law

RESOLVED, That the American Bar Association favors enactment of S. 2079 (96th Congress) or similar legislation which would recognize that strong patent and trademark systems are vital to the economy of the United States and would favor removal of the United States Patent and Trademark Office from the Department of Commerce and would make it a separate and independent agency.

4594C

American Chemical Society

OFFICE OF THE
PRESIDENT

James D. D'Ianni
*President-Elect*, 1979
*President*, 1980

1155 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20036
Phone (202) 872-4600

April 14, 1980

The Honorable Birch Bayh
Chairman
Subcommittee on Constitution
Committee on the Judiciary
United States Senate
Washington, D.C. 20510

Dear Senator Bayh:

The American Chemical Society supports the creation of an independent PTO as embodied in S.2079, the "Independent Patent and Trademark Office Act." The Society believes that passage of this bill would contribute to the emergence of the Patent and Trademark Office (PTO) as a prestigious, well-respected, efficient operation that would routinely issue patents of high quality in a timely fashion.

The work of the Patent and Trademark Office has an essential and constructive effect on the scientific, legal, and business communities, the consuming public, and the overall economy of the United States. It plays a vital role in the stimulation of innovation in our country, a role which is sorely needed. The desire for an effective and efficient patent system has been recognized at the highest levels of the federal government as evidenced by President Carter's October 31, 1979, statement to Congress on his Industrial Innovation Initiatives.

In spite of the important role the PTO plays in our society, it has for many years been unable to obtain adequate funding to perform its duties as effectively as it should be able to do. Serious concern has been raised in the scientific, legal, and business communities that the examination of patent applications has been indequate because of lack of thoroughness, and that patents with claims of questionable validity have been issued too frequently. It is not uncommon that unnecessarily long periods of time elapse between the filing of an application and the issuing of a patent. This has been caused by an insufficient number of examiners to manage the flood of applications, and by too few clerical staff members to handle the voluminous paperwork necessary to meet the administrative requirements of the Office. Also, there is not enough trained personnel to maintain a reference library of prior art, including issued patents, and scientific and technological literature adequate for the needs of the PTO examiners and the public.

These severe problems can be ascribed, at least in part, to PTO's inability to make its budgetary needs known directly to the Office of Management and Budget, and to the Congress. This inability arises in large measure because the PTO is attached administratively to the Department of Commerce rather than being established as an independent federal agency. Since the PTO budget is but a small part of that of the Department of Commerce, the monetary needs of the Office can easily be submerged or neglected in the annual budgetary process.

There is only one reason why the PTO was not created as an independent, quasi-judicial, administrative agency like the ICC or the FCC. This reason is that the PTO came into existence a half century before the first independent agency was created in 1890. As a result, the PTO, unfortunately, has always been a step-child of a cabinet department ever since the patent-examining function was started in 1836. The PTO has bounced from the State Department, to the Interior Department, to the Commerce Department, never finding a suitable home because its mission is not an executive function. Rather, it is a quasi-judicial body that ought to perform its duties independently of the ebbs and flows of executive agency activities.

The ACS also supports a six-year term for the Commissioner of PTO, as provided in S.2079. This will produce greater stability and continuity in that position, and will undoubtedly eliminate the recurring problem of vacancies resulting from changes in Administrations. These gaps in continuity are highly undesirable, since they can and do create uncertainties at the career staff level. In spite of these difficulties, the present career employees have consistently done the best possible job under the circumstances.

The ACS appreciates the opportunity to present these views which have been approved by its Board of Directors, and hopes that legislation such as S.2079 will be enacted in this Congress.

Sincerely yours,

James D. D'Ianni

James D. D'Ianni

cc: Members, Senate Subcommittee
on Constitution

THE ASSOCIATION OF THE BAR
OF THE CITY OF NEW YORK
42 WEST 44TH STREET
NEW YORK 10036

COMMITTEE ON PATENTS

JOSEPH M. FITZPATRICK
CHAIRMAN
277 PARK AVENUE
NEW YORK 10017
758-2400

March 7, 1980

Senator Birch Bayh
Subcommittee on the Constitution
Room 102B
Russell Senate Office Building
Washington, D. C. 20510

Attention: Mr. Joe Allen

Dear Senator Bayh:

The Committee on Patents of the Association of the Bar of the City of New York wishes to go on record as being unanimously in favor of S.2079, the Bill which proposes to make the Patent and Trademark Office an independent agency.

To this, I would like to add my personal view. Based on 35 years in the profession (as Patent Examiner, Trial Attorney, Antitrust Division, Department of Justice, and private practice), the only hope for the continuance of a viable U. S. patent system, equal to the competitive systems in foreign countries, is to establish its independence as proposed in S.2079.

Respectfully yours,

Joseph M. Fitzpatrick
Chairman

CATERPILLAR TRACTOR CO.

Peoria, Illinois 61629

December 17, 1979

Senator Birch Bayh
363 Russell Senate
Office Building
Washington, DC 20510

Dear Senator Bayh:

RE: S.2079

I am encouraged by your perceptiveness in introducing legislation to establish an independent Patent and Trademark office. It is a needed reformation.

Very truly yours,

Robert E. Muir
Senior Patent Attorney

Tel. (309) 675-4073
cd

# CENTRAL NEW YORK PATENT LAW ASSOCIATION

MEMBER NATIONAL COUNCIL OF
PATENT LAW ASSOCIATIONS

PLEASE ADDRESS REPLY TO:
J. Dennis Moore, Esq.
Staff Patent Attorney
The Singer Company
Link Division
Binghamton, New York 13902

March 4, 1980

Senator Birch Bayh
U.S. Senate
Washington, D.C. 20510

Attn: Mr. Joseph P. Allen

Dear Senator Bayh:

The Central New York Patent Law Association, a professional association of some 40 patent attorneys in the upstate New York area, has been watching with keen interest the progress of your bill, S.2079, which would establish the PTO as a separate agency apart from the Commerce Department. In this connection we understand that Arthur R. Whale, Chairman of the National Council of Patent Law Associations, is scheduled to testify before a subcommittee of the Senate Judiciary Committee on behalf of S.2079.

With regard to this testimony, the Central New York Patent Law Association is pleased to inform you that its members unanimously support passage of S.2079. For years we have watched with dismay as the Patent and Trademark Office has languished as a missplaced stepchild of the Commerce Department, instead of flourishing as it should as a pivotal institution for the nurturing of American innovation. We applaud and encourage you in your efforts to have your bill passed and are pleased to inform you that Chairman Whale who will speak in support of the passage of S.2079, so speaks with the warmest support of this Association.

Yours very truly,

J. Dennis Moore
Secretary/Treasurer
of the C.N.Y.P.L.A.

JDM:emt

CHEMICAL MANUFACTURERS ASSOCIATION

March 28, 1980

The Honorable Birch Bayh
Chairman
Subcommittee on the Constitution
Committee on the Judiciary
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

S. 2079, a bill to improve the administration of the patent and trademark laws by establishing the Patent and Trademark Office as an independent agency, was referred to the Senate Committees on the Judiciary and on Governmental Affairs. Your Committee and the Committee on Governmental Affairs recently held joint hearings on this measure. On behalf of the Chemical Manufacturers Association, I would like to submit our views concerning this legislation, with the request that they be included in the record of the above-mentioned hearings.

The Chemical Manufacturers Association (CMA), formerly the Manufacturing Chemists Association, is a nonprofit trade association having 192 United States company members representing more than 90 percent of the production capacity of basic industrial chemicals within this country.

The workings of the United States Patent and Trademark Office (the Office) and the quality of patents granted and trademarks registered by the Office are of great concern to CMA members in planning their research, development, production and marketing programs. Many of the U.S. firms which file the most applications for patents with the Office are CMA members.

The need for an independent Patent and Trademark Office has been recognized by many former Commissioners of that Office and has received the support of the Patent Bar, as evidenced by recent resolutions of the American Bar Association's Patent, Trademark and Copyright Section (Resolution NR-3, Approved August 11, 1979) and the American Patent Law Association. Several former Commissioners have commented upon the difficulties of administering the Office through several layers of Commerce Department bureaucracy.

The reasons for an independent Office now stand out more sharply than ever before. Failures of the Office to obtain sufficient funding in its subsidiary role within the Department of Commerce

have caused unacceptable delays in issuing patents and registered trademarks and have endangered the quality of what has been issued. The Office gains no substantial benefit from its administrative connection with other science and technology functions of the Department of Commerce, but instead, has frequently found the Department of Commerce to be an administrative barrier between the Office and the organizations with which it must interact: Congress, the Courts and the Office of Management and Budget.

The Office performs functions which are quasi-judicial in nature and, therefore, bear little logical relationship to most other functions performed within the Department of Commerce. Recently, the Federal Energy Regulatory Commission was established as an independent agency because its quasi-judicial or adjudicatory functions were best not performed by officials charged with advocating and encouraging industries that were being regulated. Other agencies with quasi-judicial functions such as the FTC, NLRB, and ICC have long enjoyed that status. In much the same sense, the Patent and Trademark Office has a responsibility for administering laws that determine which inventions should be entitled to the rights of a patent and which trademarks should be accorded the benefits of registration. Other federal agencies, as well as the Department of Commerce, have gone into the business, wisely or not, of funding research under terms in which the Government takes title to such inventions. Accordingly, such other agencies in effect appear before the Patent and Trademark Office as an applicant for patent, or, at least, as the assignee of the applicant with control of the prosecution of the application. Similarly, agencies appear with increasing frequency as the applicant for trademark registration or as the opposer to the registration of trademarks by others.

The Office, as a quasi-judicial body, interacts with the courts in two settings: first, in appeals to the Court of Customs and Patent Appeals under 35 U.S.C. 141, or in civil actions brought under 25 U.S.C. §§ 145, 146 and 15 U.S.C. § 1071(b); and second, when issued patents or registered trademarks of the Office are tested in subsequent proceedings such as civil actions for patent or trademark infringement.

Courts have often commented adversely upon the quality of the work done by the Office. The fact that these comments have continued, justified or not, suggest that the Office is ill-equipped presently to respond to these criticisms. Subservience of the Office to the Department of Commerce may have played a significant role in this

inability to respond. Position papers of the Office are screened through the Assistant Secretary for Science and Technology. Furthermore, actions by the Office of a substantial nature, particularly if they involve an additional expenditure of funds, must inevitably pass through administrative and budgetary proceedings. In such proceedings, the Department of Commerce poses a barrier between the Office and both the Office of Management and Budget and Congress.

The Commissioner of Patents and Trademarks, like the members of FCC, FTC, FERC, ICC, NLRB and other similar agencies, should have a fixed term not tied to that of the incumbent President. The six-year term selected by S. 2079 is similar to the terms for FCC Commissioners (seven years), NLRB Members (five years), FTC Commissioners (seven years), FERC Commissioners (four years) and ICC Commissioners (seven years). For any effective planning and policy development, the Office needs that kind of continuity of management. By contrast, in the past ten years there have been five Commissioners of the Patent and Trademark Office and none has served longer than three years.

For the reasons set forth above, CMA strongly supports the establishment of the Patent and Trademark Office as an independent agency and the adoption of a fixed term of six years for the Commissioner as provided for in S. 2079, and recommends enactment of this legislation.

Sincerely,

Robert A. Roland
President

THE CHICAGO BAR ASSOCIATION
29 South LaSalle Street
Chicago, Illinois 60603
Phone: 782-7348



January 21, 1980

The Honorable Birch Bayh
The United States Senate
Room 363
Russell Senate Office
Building
Washington, D.C. 20510

Re: S.2079, "Independent Patent and Trademark Office Act"

Dear Senator Bayh:

A copy of our communications to members of the Senate Judiciary and Governmental Affairs Committees and to Mr. Joe Allen regarding support for S.2079 are enclosed.

We are pleased to add this support for this important bill and will be prepared to testify in support of the bill.

If we can be of additional assistance, please advise.

Cordially,

By: Lawrence S. Wick
Chairman, Committee on
Patents, Trademarks and
Copyrights of the
Chicago Bar Association

Correspondence Address:

Leydig, Voit, Osann, Mayer & Holt, Ltd.
One IBM Plaza - Suite 4600
Chicago, IL 60611

Phone: (312) 822-9666

cc(w/encs):

Hon. John Danforth
Hon Gaylord Nelson
Richard W. Austin, Esq.
George M. Burditt, Esq.
Kevin M. Forde, Esq.
John F. McBride, Esq.

COMMITTEE ON PATENTS, TRADEMARKS & COPYRIGHTS

OF THE CHICAGO BAR ASSOCIATION

RESOLUTION 79-4

RESOLVED, that legislation to remove the U.S. Patent and Trademark Office from jurisdiction of the Department of Commerce and establishing it as an independent federal agency is approved in principle.

Approved October 9, 1979
Ratified January 8, 1980

RESOLUTION 79-11

RESOLVED, that S.2079 (96th Congress), the "Independent Patent and Trademark Office Act," which would remove the Patent and Trademark Office from the jurisdiction of the U.S. Department of Commerce and establish it as an independent federal agency, and provide a six-year term for the U.S. Commissioner of Patents and Trademarks, who shall have the power to make non-presidential appointments to the Office, is approved.

Approved January 8, 1980

BACKGROUND STATEMENT

The U.S. Patent & Trademark Office is in a terrible situation, due in part to a financial crisis. It is reported that in recent months, patent application processing has dropped by more than 50% and it now takes an average of one year for the Office to review pending trademark applications.

In large part, the problem is organizational: (1) PTO is larger than many existing independent U.S. agencies but has no direct influence on its own affairs; (2) PTO has no direct contact with the Office of Management and Budget, and Commerce Department budget officials apparently are unsympathetic to the patent system; (3) The Commissioner does not have adequate control over staff, e.g., authority to hire and fire.

The proposal to create an independent PTO previously has been endorsed by this Committee, The Patent Law Association of Chicago, The U.S. Trademark Association, The American Patent Law Association, the American Bar Association's Patent Section, former U.S. Commissioner of Patents & Trademarks Donald Banner, and others.

On December 5, 1979, S.2079 ("Independent Patent and Trademark Office Act") was introduced by Senators Bayh, Nelson and Danforth, and assigned to the Committees on the Judiciary (Kennedy, Ch.) and Governmental Affairs (Ribicoff, Ch.; Percy, Member). Hearings reportedly will be scheduled prior to February 1. (Bill attached)

The bill will not create a new bureaucracy, but will enable the PTO to function more efficiently, by removing it from DOC jurisdiction and creating an independent agency. The Commissioner would be appointed by the President for a six-year term and have the authority to appoint other PTO officers and employees.

The bill will allow the Commissioner to deal directly with Congress and the OMB and to exercise that authority over staff which is necessary to get PTO operating again.

The Committee believes that S.2079 should be enacted.

Respectfully submitted,

Dated: January 8, 1980

Committee on Patents, Trademarks & Copyrights of the Chicago Bar Association

By: Lawrence S. Wick, Chairman

Attmt: S.2079

S. 2079

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 101. Title 35 of the United States Code is hereby amended as follows:

SEC. 102. Section 1 is repealed and the following is inserted in lieu thereof:

"SECTION 1. Establishment.

"The Patent and Trademark Office, referred to in this chapter as the 'Office', shall be an independent agency, where records, books, drawings, specifications, and other papers and things pertaining to patents and to trademark registrations shall be kept and preserved, except as otherwise provided by law."

SEC. 103. Section 3(a) is amended by striking out the last sentence and inserting in lieu thereof the following:

"The Commissioner shall be the Chief Officer of the Office and shall be a person of substantial experience in patent and trademark matters. The Commissioner shall be appointed for a fixed term of six years and shall be removable from office by the President with the consent of the Senate, only for good cause. The Commissioner shall appoint all other officers and employees of the Office."

SEC. 104(a). Section 3(b) is repealed.

(b). In Section 3(c) the word "Secretary of Commerce" are struck out and the word "Commissioner" inserted in lieu thereof, and Section 3(c) is redesignated as Section 3(b).

(c). In Section 6, the words "under the direction of the Secretary of Commerce" and "subject to the approval of the Secretary of Commerce" are struck out wherever found.

(d). In Section 7, strike out "Secretary of Commerce" and insert in lieu thereof "Commissioner".

(e). In Section 31, strike out "subject to the approval of the Secretary of Commerce".

(f). In Section 181, the third paragraph in the last sentence strike out "appeal to the Secretary of Commerce" and insert in lieu thereof "a right to appeal from the order under rules prescribed by the Commissioner".

(g). In Section 188, strike out "Secretary of Commerce" and insert in lieu thereof "Commissioner of Patents and Trademarks".

SEC. 201. Section 1511(e) of Title 15 United States Code is repealed.

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CPLA

Cincinnati Patent Law Association

Member National Council of Patent Law Associations

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DOUGLAS C. MOHL, NCPLA COUNCILMAN
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(513) 977-8001

May 23, 1980

The Honorable Birch Bayh
United States Senate
Washington, D. C. 20515

Dear Senator Bayh:

I am writing on behalf of the Cincinnati Patent Law Association in support of Senate Bill 2079 relating to the establishing of the United States Patent Office as an independent agency.

It is the general feeling of the members of the association that an independent Patent Office would have much more influence and would be better able to adopt policies and procedures that would be more conducive to the strengthening of the patent system.

There has of late been an increased recognition of the need for this nation to place more emphasis on the development of technology. The patent system is an integral part of technology development, and thus a strong system is needed to support this objective. Accordingly, we hope that you will continue to lend your support to this bill and press for its passage.

The association has also considered Senate Bill 1679 relating to re-examination and strongly supports its passage.

Sincerely,

John D. Rice

JDR:emk

# COMMERCIAL SOFTWARE SYSTEMS CORPORATION

7700 LEESBURG PIKE
FALLS CHURCH, VIRGINIA 22043 Tel: 821-1150


April 2nd, 1980

Dr. Jordan Baruch
Assistant Secretary of Commerce for
Science and Technology
Department of Commerce
Washington, D.C. 20230

Dear Dr. Baruch,

At the U.S. Patent and Trademark Office (PTO), staff and members of the public have benefited from retrieval facilities available at a network of interactive terminals. Other facilities available only at terminals used by PTO staff provide for file maintenance, the processing of mailed orders for current cross-index listings, and preparation of camera ready copy for new and updated sections of the official Manual of Classification.

Commercial Software Systems Corporation (CSSC) developed the software for the minicomputer that services these terminals. The human engineering and reliability of the software has been such that the system almost runs itself, obviating the expense of the full-time managers and operators required at most conventional computer installations. And yet this human engineering has permitted PTO staff and untrained members of the public to perform well over a million separate retrievals during the last 2½ years. CSSC's involvement in the operation of the system has been limited to supervising the bimonthly update of the 4½-million-record data base.

We suspect that the cost-effectiveness of our work compares very favorably with that of other contractors or of the PTO in-house data processing department. The PTO managers have been most anxious to use CSSC's services to develop and enhance facilities for the system. However, they must rely on the Office of Procurement and ADP Management at the Department of Commerce for the negotiation and execution of contracts for our services. Department of Commerce officials in turn represent the PTO in dealings with GSA.

Right now, the PTO probably regrets having relied so much on a small business such as CSSC because, quite frankly, we are not inclined nor can we afford to tolerate the expense, the delays, and the uncertainties involved in dealing with the three tiers of bureaucrats. CSSC has had a contract with the PTO for only 4 of the last 9 months and we do not expect a further contract. The specialized nature of the software we have developed may well preclude another contractor from taking over our job, and so the PTO might have to freeze the current system while developing a new system from the ground up, possibly with the added expense of new hardware.

The "procurement specialists" in the Office of Management and ADP Procurement blame this impasse on CSSC, the PTO, GSA, and the pressure of work ... on anyone but themselves. The fact is that these "specialists" know little and care less about the needs of the Patent Office. Their slow and usually inappropriate responses to the PTO's needs have been the direct cause of the costly delays which have effectively destroyed all prospects of a profitable business relationship between CSSC and the PTO. Our costs and diminished expectations impel us to offer our services at rates that these same experts now adjudge to be too high.

In the past, these officials have accused CSSC of being unreasonable and uncooperative in not providing them with necessary information. In fact, it is they who have a surrealist view of the marketplace. Mr. David Beveridge claims that because CSSC has no full-time salesmen, we have no sales expense; and that because he thought a particular form of services contract appropriate, CSSC would have no need for working capital.

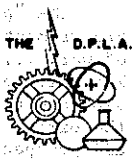
I do not need an audit of my books or a lecture on how to run a business from such people. By their behavior, Mr. Beveridge and these other civil servants have insured that CSSC will never again be available to the Patent Office.

This letter is merely for your information. No reply or response is requested.

Yours truly,

Peter A. Knott
President

THE DAYTON PATENT LAW ASSOCIATION
DAYTON, OHIO




January 29, 1980

Senator Birch Bayh
363 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Bayh:

Bayh Senate Bill S-2079

The subject bill would make the Patent and Trademark Office a separate agency removing it from the Department of Commerce. This bill was discussed by our legislative committee who voted unanimously to recommend its adoption by our association. At their meeting on January 11, the Dayton Patent Law Association discussed this bill and voted on it. All votes were in favor of the Bayh bill and there were no dissenting votes.

One member of our association, who is a Government patent attorney, even though he voted in favor of the bill, suggested that the bill might have a problem in allowing the Commissioner of Patents to appoint "all other officers and employees of office", Section 103 of the bill. Such a provision might downgrade the job grade levels of the Assistant Commissioners and Examiners-in-Chief by preventing them from being appointed to the super grades. Under the present law these Assistant Commissioners and the Examiners-in-Chief are appointed by the President by and with the advice and consent of the Senate.

It is believed that the Bayh bill would improve innovation in this country, and it is well known that the decline of innovation has been and continues to be a serious concern for the country.

Very truly yours,

L. Bruce Stevens

L. Bruce Stevens
Chairman,
Legislative Committee

LBS/mkd

cc: George J. Muckenthaler, Esq.
Secretary
Patent Division
NCR Corporation
Dayton, Ohio 45479

EASTERN NEW YORK PATENT LAW ASSOCIATION

March 5, 1980

Senator Birch Bayh
United States Senate
Washington, D.C. 20510

Attention: Joseph P. Allen

Dear Senator Bayh:

On behalf of the Eastern New York Patent Law Association which comprises a group of about 35 patent practitioners in the Albany-Schenectady-Troy, New York area, I wish to let you know that the large majority of our members support your recently introduced bill S.2079 which would make the Patent and Trademark Office an independent agency and which would require the Commissioner to be a person of substantial experience in patent and trademark matters, who would be appointed for a fixed six-year term.

We, of course, share your concern regarding the future of the U.S. Patent system. Accordingly, we applaud the introduction of S.2079 as an attempt to improve administration of the patent and trademark laws and we urge your continued vigorous efforts in securing its passage.

Sincerely yours,

Paul E Dupont

Paul E. Dupont
President

PED:kf

Sterling-Winthrop Research Institute
Rensselaer, New York 12144

January 8, 1980

Mr. Robert F. Hess
2045 E. Wardlow
Highland, Michigan 48031

Senator Birch Bayh
Judiciary Committee
Russell Senate Office Building
Room 363
Washington, D. C. 20510

Dear Senator:

Re: Senate Bill 2079

I wish to make known to you my support for Senate Bill 2079 introduced by Senators Bayh, Danforth, and Nelson and proposing that the Patent and Trademark Office be established as a separate agency, rather than be continued as an office within the U. S. Department of Commerce.

I have been a patent attorney for fourteen years and prior to that worked as an Examiner within the Patent and Trademark Office. Based on this experience, I feel confident in vouching for the accuracy of Senators' analysis of the present problems faced by the U. S. Patent and Trademark Office, and I feel the proposal for resolving these problems ascertained in the subject Bill is a good one and deserving of your full support.

Yours very truly,

Robt F Hess

RFH/mcs

ORchard 0-1515

HUGHES AIRCRAFT COMPANY
POST OFFICE BOX 90515
LOS ANGELES, CALIFORNIA 90009

18 March 1980

The Honorable Birch Bayh
United States Senate
363 Russell Senate Office Bldg.
Washington, D. C. 20510

Sir:

I have reviewed S-2079, the Independent Patent and Trademark Office Act, and I strongly support its passage. I am a patent attorney for a large company, and previously was patent counsel for a small company.

The Patent and Trademark Office is designed to perform unique services in administering patents and trademarks. These are important to all business, but more importantly so to small business.

Both patent and trademark functions of the Office have deteriorated over the years from lack of funding and lack of understanding by those who apportion the budgets. In recent years this has become so acute as to be a national scandal. Independence of the Patent and Trademark Office is a constructive and necessary step in getting a proper handle on the problem and, in time, solving it.

I hope you will re-read the testimony of the American Patent Law Association on this bill, and with such support secure its passage.

Very truly yours,

Charles S. Haughey

CHARLES S. HAUGHEY
Patent Counsel

CSH/eg

cc: Senator Alan Cranston
Senator S. I. Hayakawa
Senator Charles McC. Mathias, Jr.
Judiciary Committee Members

100 Park Avenue, Suite 2209, New York, New York 10017 · (212) 683-7626

Industrial Research Institute, Inc.

April 1, 1980



The Honorable Birch Bayh
Room 363
Russell Senate Office Building
Washington, DC

Dear Senator Bayh:

The Industrial Research Institute is comprised of 250 U.S. member companies who represent about 85 percent of all industrially-funded U.S. research and development. In 1979, IRI published a position statement on the U.S. patent system. In our statement, we encouraged improvement in funding, training, and administrative support of the examining corps of the Patent and Trademark Office.

Your introduction of the Independent Patent and Trademark Office Act, S.2079, demonstrates your serious concern for the need for improved support of the PTO and greater participation of the Patent Commissioner in policy considerations. While the IRI has not formally addressed the issue of whether the PTO should be made an independent agency, the objectives of S.2079 are consistent with those stated by the IRI, I would like to call your attention, however, to two concerns that I have with the proposal and suggest an alternative for your consideration in the event that a compromise becomes appropriate.

My first concern is the question of good organizational practice. It simply is not feasible to respond to the problem of inadequate management attention and participation for every government unit by rearranging the lines of reporting directly to the President. While I agree that better support of the PTO than traditionally has been accorded by the Department of Commerce is required, it would appear that there is sufficient complementarity of the PTO mission with that of the Department to warrant its placement in the Commerce organization.

Secondly, I am concerned that establishment of the PTO as an independent agency would result in reassignment of responsibility for appropriations in the House and Senate. The present subcommittees have demonstrated appropriate sensitivity to PTO needs, but this momentum could be lost in a reorganization.

As an alternative to extracting the PTO from Commerce, I would suggest these two ideas. First, the visibility and participation of the PTO in policy matters could be raised by elevating the

Commissioner to the level of Assistant Secretary reporting directly to the Secretary. The Commissioner would represent the PTO directly in matters of resource allocation and patent policy in OMB and Congressional hearings.

Secondly, I would recommend that a procedure be instituted for annual or biannual reauthorization of the PTO. The hearings associated with this process would provide the opportunity for the Commissioner and interested private sector witnesses to address patent and trademark issues on a routine basis.

In conclusion, let me say that we are very appreciative of the attention you are giving to matters of patent policy and organization and I believe our objectives are quite consistent. While I think a compromise along the lines I have suggested may be appropriate in regard to S. 2079, passage of the bill in its present form definitely would be preferable to the status quo.

Sincerely,

A. M. Bueche

Arthur M. Bueche, Chairman
Federal Science & Technology Committee

AMB/bmo

cc: Frank Press

INTERNATIONAL PAPER COMPANY
220 EAST 42ND STREET, NEW YORK, NEW YORK 10017

PATENT DEPARTMENT

WALT THOMAS ZIELINSKI
Counsel—Patents,
Science & Technology — 212 490-5921

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WILLIAM A. AGUELE — 212 490-5927
RICHARD J. ANCEL — 212 490-5923
ROYAL E. BRIGHT* — 212 490-5788

*Admitted to Pennsylvania Bar Only

March 5, 1980

Honorable Birch Bayh
United States Senate
363 Russell Senate Office Building
Washington, DC 20510

Dear Senator Bayh:

This is to let you know that this company and the members of its Patent Department support giving the U.S. Patent and Trademark Office the degree of independence contemplated in S.2079.

It is our conviction that the USPTO cannot in these times adequately discharge the duties imposed on it by the U.S. Constitution and the existing statutes without direct access to Congress and to the Office of Management and Budget and a thus improved opportunity for gaining the financial support it requires. And if the USPTO does not have adequate financial support, the U.S. patent system cannot assure inventors of the kind of incentive that is required to advance this country's technology as swiftly as world conditions demand.

Yours very sincerely,

Walt Thomas Zielinski

pv

January 15, 1980

The Honorable Birch Bayh
363 Russell Senate Office Building
Washington, D. C. 20510

Dear Senator:

The enclosed Resolution was unanimously passed by the members of the Board of Directors of Inventors Workshop International. We want you to know how grateful we are that someone of your stature has the understanding to relate this country's growing national deficit with the unhealthy climate in which individual inventors have had to work for the past several decades.

We endorse your legislation to create a Patent and Trademark Office that is independent of the Department of Commerce. We have long been beating the drums for updating the efficacy and efficiency of the Patent Office and bringing it into the computer age and will do everything we can to help you achieve their independence. Please let us have your guidance.

A major concern to us is Congress' ongoing funding of governmental agencies WHOSE CONTINUING EXISTENCE DEPENDS ON THEIR NOT FINDING SOLUTIONS TO PROBLEMS THEY HAVE BEEN COMMISSIONED TO SOLVE. A case in point is the mandate of the President to one of his agencies to find alternate energy systems.

The money spent in support of the individual inventor has been an insulting ratio of the total. Many taxpayers' dollars have gone into their high-powered public relations program to disseminate word regarding their quest for alternate systems. They provide token support to the independent inventors. Of the billions that have been budgeted, they have only spent about $3,000,000 on individual inventors!

We would suggest the formation of a committee of carefully selected, highly qualified inventors to augment the evaluations of the agencies who could solve themselves out of a job. This would create a balance with those WHOSE JOBS ARE NOT AT STAKE AS ALTERNATE ENERGY SOLUTIONS ARE FOUND. We have knowledge of viable solutions that are being passively suppressed. Loosen up the money that will match funds with the business community if you want to have results.

It would be nice if an agency's continued existence were dependent on results!!

We have been threatened with extinction by one of the members of the power structure because we were incautious enough to publish information provided by one of their employees, which was counter to the image they wanted to project.

We have decided that to continue to be silent, to avoid a confrontation is to be untrue to our basic philosophies and beliefs. Your help is fervently sought.

Thank you for your support and, again, please be assured that we wholeheartedly back your efforts. We wish you continuing success in the service of our country.

A most happy and successful New Year to you and yours.

Cordially,

Melvin L. Fuller

P. S. We would appreciate your entering our Resolution as testimony on the day of the hearing on your Bill.

The following Resolution has been passed by the Board of Directors of Inventors Workshop International on behalf of all of its members.

"RESOLVED, that Senator Birch Bayh's efforts on behalf of the inventor and small business through the creation of an independent Department of Patents and Trademarks with all necessary facilities appurtenant to its duties, be expressed by legislation enacted by the Congress of the United States.

Signed

Melvin L. Fuller

Chairman of the Board

**Itek Corporation**

10 Maguire Road
Lexington, Massachusetts 02173
Telephone: 617-276-2000

Patents - S. 2079

December 27, 1979

Senator Birch Bayh
Room 363
Russell Senate Office Bldg.
U.S. Senate
Washington, DC 20510

Subject: S.2079 Independent Patent and Trademark Office Act

Dear Senator Bayh,

I want to congratulate you for introducing the above legislation. I have read the bill and your remarks made in introducing it. I agree with your remarks 100% and am very much in favor of this legislation.

The U.S. Patent and Trademark Office could be a very useful force in encouraging innovation in small business and individual inventors. Unfortunately, through no fault of its own, it is not permitted to do so at present because of various budget restraints and a lack of an opportunity to present its case directly to Congress.

While the Department of Commerce undoubtedly could do more to support the U.S. Patent and Trademark Office, based on their record of the past, I don't think that this is very likely. I think if Congress, after hearing the USPTO, could appropriate the budget Congress feels is adequate, the U.S. Patent and Trademark Office could then do a good job for the public.

My comments are based on more than 25 years in the patent, trademarks, and technology transfer business and as past president of the Licensing Executives Society (USA/Canada).

If I can do anything to help you in supporting this legislation, please let me know.

Best regards,

Homer O. Blair
Vice President
Patents & Licensing

HOB:mm

**Itek Corporation**

Itek

10 Maguire Road
Lexington, Massachusetts 02173
Telephone: 617-276-2000

April 25, 1980

The Honorable Birch Bayh
U. S. Senate
Washington, DC 20510

Dear Senator Bayh:

Subject: U.S. Patent and Trademark Office as an Independent Agency

I am writing to tell you of my support for your legislation which would remove the U.S. Patent and Trademark Office (PTO) from the Department of Commerce and make it an independent agency. (S.2079 - Bayh Senate Committee on the Judiciary and on Governmental Affairs.)

Problems of the U.S. Patent and Trademark Office

As you know, the PTO has had problems for years within the Department of Commerce in being able to do its job properly, to discuss budget and other matters directly with the appropriate committees of Congress, to be heard in formulating Government policies on trademark and patent matters and to initiate and improve its activities to encourage innovation in the United States, a problem about which both the Administration and Congress are quite concerned.

Because of its low level of influence in the Administration, in general, and in the Department of Commerce, in particular, the PTO is a bystander, not a leader, or even a participant, in many policy decisions directly relating to patents and trademarks. I am informed that the PTO Commissioner has had no voice in the formulation of the recent Administration proposal concerning the ownership and use of patents arising out of government contracts and Congress has not had the benefit of his views on the matter. If he were invited to testify on this matter, I am sure that he, being a loyal member of the Administration, would testify in support of the Administration position as he is in no position to provide an independent, knowledgeable opinion for the benefit of Congress on this or other matters related to trademarks, patents or innovation.

Duties of the U.S. Patent and Trademark Office

The PTO has no need of supervision by the Department of Commerce, and obviously the Secretary of Commerce should not attempt to influence the PTO in carrying out its statutory duties as specified by Congress in Titles 15 and 35 of the U.S. Code. Many of these duties are quasi-judicial and/or rule-making in nature, as is the case with many other independent agencies.

Opinions of Former Commissioners

It is interesting to note that all the recent PTO Commissioners are unanimous in their support of this legislation (Commissioners Banner, Dann, Schuyler, Gottschalk, Brenner and Ladd). They have no axe to grind but are giving their very expert opinions to Congress as good citizens.

Conclusion

In my opinion, based on over twenty-five years of experience in trademarks, patents, technology transfer and innovation, our country can have an efficient trademark and patent system which can be much more useful to our country and its citizens, only if the U.S. Patent and Trademark Office is made an independent agency and I congratulate you for introducing it.

I have also written letters of support for your legislation to members of the U.S. Senate Committees on the Judiciary and on Governmental Affairs and the House Judiciary Committee.

Very truly yours,

ITEK CORPORATION

Homer O. Blair
Vice President
Patents and Licensing

HOB/dmc

Background on Itek Corporation and Homer O. Blair is attached.

BACKGROUND

Itek Corporation – Diverse manufacturer on Fortune second 500 corporations list. Thus, not a giant, but not small business either.

Major Product Lines:

Non-Government: 75%

Graphic Imaging Systems

Phototypesetters; Offset Printing Platemakers; Small Printing Presses; Graphic Arts Cameras and Film Processors.

Vision

Eyeglasses, Including Lenses, Frames and Cases.

Government: 25%

Defense Electronics

Airborne Electronic Warfare (EW) Equipment; EW Simulation and Testing Equipment.

Optical Systems

Sophisticated Large Optical and Electro-Optical Reconnaissance; Surveillance; Earth Resource and Space Equipment.

U.S. Manufacturing Locations:

Massachusetts Florida
California New Hampshire
New York Pennsylvania

Homer O. Blair

Education: BS in Chemistry, BS (Physics), J.D. (Law), all from University of Washington, Seattle, Washington

Experience: Over twenty-five years in five corporations in patents, trademarks, copyrights and technology transfer.

Professional Activities:

Member -three U.S. Government delegations to United Nations - Geneva.
-U.S. Government delegation in 1971 US/USSR Exchange on Patent Management and Patent Licensing.
-US Domestic Policy Review on Innovation, Patent Subcommittee.
-Licensing Executives Society, Past President.
-US Trademark Association, Board of Directors and Chairman, International Advisory Group.
-American Bar Association
Patent, Trademark and Copyright Law Section Chairman, Special Committee on Technology Transfer. International Law Section, Chairman, Restrictive Business Practices in Transfer of Technology Task Force, International Antitrust Committee. Antitrust Law Section.
-American Patent Law Association and other Bar Assns.

Author and Speaker - Numerous articles and speeches

Kmart Corporation

International Headquarters
3100 West Big Beaver Road
Troy, Michigan 48084

A. Robert Stevenson
Vice President
Government & Public
Relations

February 6, 1980

The Honorable Edward M. Kennedy, Chairman
Judiciary Committee
Dirksen Senate Office Building, Room 2241
Washington, DC 20510

Dear Senator Kennedy:

By this letter, K mart Corporation wishes to express its support for the enactment of S. 2079, 96th Congress or similar legislation which would recognize that strong patent and trademark systems are vital to the economy of the United States and that we favor the removal of the United States Patent and Trademark Office from the Department of Commerce. It is our desire and we wish to make known to you our support for this bill or similar legislation which would make the United States Patent and Trademark Office a separate and independent agency of the United States Government.

As a major United States merchandiser relying upon the use of many varied trademarks, both our own and of our suppliers and retailing products carrying patents and/or patentable ideas, we consider it necessary for the promotion of free commerce in the United States to have a strong and independent Patent and Trademark Office. To date, the state of affairs in the Patent and Trademark Office in Washington is woefully lacking in the necessary support functions as well as the speedy and economical approval of trademark and patent applications.

We believe that the establishment of the Patent and Trademark Office as an independent agency will go a long way toward remedying these problems.

Very truly yours,

A. ROBERT STEVENSON

cc: Judiciary Committee ✓

[redacted] MARTIN PROCESSING, INC.

P.O. BOX 5066 - MARTINSVILLE, VIRGINIA 24112
AREA CODE (703) 629-1711

February 22, 1980

The Honorable Birch Bayh
Committee on the Judiciary
United States Senate
Washington, D. C. 20510

Dear Senator Bayh:

Subject: The Independent Patent and Trademark Office Act (S.2079)

I always have been concerned with our Patent Office regarding various bills which would be disadvantageous to the patentee. After reading the proposed bill, I was relieved to know that this bill would remedy the fiasco in the now established Patent and Trademark Office.

I am a businessman with fifteen patents to my credit, and these patents are the vital force of Martin Processing, Inc. I definitely believe that this new bill is a great step forward and urge you to support S.2079.

Sincerely,

Julius Hermes

Julius Hermes
President and
Chief Executive Officer

JH:at

*creative dyeing*

MILES LABORATORIES, INC.
ELKHART, INDIANA 46514

ROGER NORMAN COE
ASSOCIATE PATENT COUNSEL

TELEPHONE: 219-262-7937
CABLE ADDRESS: MILESLABS
TELEX: 258-450

March 19, 1980

The Honorable Birch Bayh
U. S. Senate Room RSOB 363
Washington, DC 20510

Re: S2079 (Bayh) Patent and Trademark Office as an Independent Agency

Dear Senator Bayh:

This letter is being written to express concern about a slowly but steadily declining U. S. Patent and Trademark Office and to indicate my support of the above identified Bill which you introduced.

Certain fundamental challenges to our way of life are repeated daily - reducing inflation, lightening or eliminating recession and improving the balance of payments deficit. While there is general agreement that a vigorous, innovative climate in the U. S. would assist in all of these areas, serious problems jeopardize our country's patent and trademark system. The real dollar funding for the Patent and Trademark Office, for example, has been steadily declining over the past three years. The former Commissioner of Patents and Trademarks, Donald W. Banner, has noted that many U. S. Patent Examiners must send out correspondence in longhand. There are not even sufficient funds provided so that the United States of America can provide a copy of official records of patent proceedings for its permanent file. In the trademark area, the situation is approaching disaster proportions. The present Commissioner of Patents and Trademarks, Sidney Diamond, has noted that the number of Trademark Examiners which the Patent and Trademark Office has for 1980 is the same as that in the mid-1970's while extrapolation shows there will be 65% more trademark applications filed.

We are failing not only to make the Patent and Trademark Office a model office we are failing to provide necessary maintenance. One of the root problems, as you know, is the lack of adequate funding for the U. S. Patent and Trademark Office. As a practical matter, not only the total amount of the budget,

but also the priority of distribution is determined without Patent and Trademark Office participation.

For these reasons I completely support your Bill to make the Patent and Trademark Office a separate agency, independent of the Department of Commerce.

Very truly yours,

MILES LABORATORIES, INC.

Roger N. Coe

RNC:ps

NATIONAL SECURITY INDUSTRIAL ASSOCIATION
National Headquarters
1015 15th Street, N.W.
Suite 901
Washington, D.C. 20005
Telephone: (202) 393-3620



13 March 1980

The Honorable
Birch Bayh
United States Senate
Room 363, Russell Senate Office Building
Washington, D. C. 20510

Dear Senator Bayh:

Thank you for your letter dated March 5, 1980 inviting the views of the National Security Industrial Association (NSIA) on S. 2079 which you introduced on December 5, 1979. We were, of course, very much aware of this bill, entitled the "Independent Patent and Trademark Office Act". We are also keenly aware of the need for such legislation and after a thorough analysis of S. 2079, NSIA supports its enactment in the form in which it was introduced. Further, we have listened to and read carefully all previous testimony and statements of living former PTO Commissioners who to a person urge passage of S. 2079.

NSIA is a non-profit association of approximately two hundred-eighty American industrial and research companies of various types and sizes, from large to small, representing all segments of an industry which provides products and services to the United States Government. The Association's essential purpose is to foster an effective working relationship and good two-way communication between the Government and industry in the interest of national security.

As you point out in your opening statement for the January 24, 1980 hearing, the problem quite simply is that the PTO is never able to directly make its needs known, but must communicate with the Congress and the Office of Management & Budget through the Department of Commerce which has displayed a lack of sensitivity to PTO needs. Accordingly, PTO effectiveness is not what it could be and its services to the public have degraded. A change is clearly in order.

NSIA member companies believe that an effective patent system, including a well run PTO, will contribute to the advancement of innovation and this in turn will contribute in a positive way to the strength of our national security and well-being.

We find comfort in your assurance that S. 2079 will neither create a new bureaucracy nor increase the cost of the PTO by more than 0.2% - indeed an amount well spent in achieving a much more efficient PTO operation than we have today.

We hope that knowing of this broad base of support from a major sector of industry which participates in government contracts will be useful to you and assist Congress

in its deliberations on this important legislation. Please let me know if there is anything further that NSIA can do to be helpful to you or your staff or the Judiciary and the Government Affairs Committees in consideration of this legislation.

Sincerely,

Wallace H. Robinson, Jr.
President

WHR/Bvh

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# NEW JERSEY PATENT LAW ASSOCIATION

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148 REYNOLDS AVENUE
WHIPPANY, N. J. 07981)

2ND VICE PRESIDENT
BIRGIT E. MORRIS
RCA CORPORATION
P. O. BOX 432
PRINCETON, N. J. 08540

March 12, 1980

Senator Birch Bayh
United States Senate
Committee on the Judiciary
Subcommittee on the Constitution
Washington, D.C. 20510

Dear Senator Bayh:

The purpose of this letter is to communicate to you the strong support of the New Jersey Patent Law Association for your bill S.2079.

The New Jersey Patent Law Association is composed of approximately 400 professionals who live or work in the New Jersey area and who are involved in patent, trademark and other industrial property matters. Our membership includes both persons in corporate practice and private practitioners. They represent a large number of corporate clients in all of the various fields of technology. As you are probably aware, New Jersey is one of the leading centers for corporate research in many technical fields.

The Legislation Committee of our Association, under the direction of Mr. Albert P. Halluin, has conducted an in-depth analysis of S.2079, and has reported its recommendations to the Board of Managers. The Board then carried out a discussion of the bill within the Board and, subsequently, with the general membership at our business meeting on February 21.

On the basis of this study, our Association overwhelmingly supports establishment of the Patent and Trademark Office as an independent agency. Accordingly, the Association recommends adoption of S.2079.

During the deliberations of our Legislation Committee, consideration was given to a clarifying amendment to section 3a of the bill. We believe that this amendment has merit, and we therefore submit it to you for your consideration.

PROPOSED SECTION 3a REVISION

"The Commissioner shall be the Chief Officer of the Office and shall be a person of substantial experience in patent and trademark matters. The Commissioner shall be appointed for a fixed term of six years and shall be removable from office by the President with the consent of the Senate, only for good cause. The Deputy Commissioner and the Assistant Commissioners shall be appointed by the President, upon the nomination of the Commissioner in accordance with law, and by and with the advice and consent of the Senate, and shall serve for a fixed term of six years and shall be removable from office by the President with the consent of the Senate, only for good cause. The Commissioner shall appoint all other offices and employees of the Office."

We would be pleased to be of any further assistance in this matter which you deem appropriate.

We also wish to express to you the thanks of our Association for your continued interest in patent matters and your efforts toward improving the patent system.

Very truly yours,

Albert P. Halluin

Albert P. Halluin,
Chairman, Legislation Committee

Robert L. Baechtold,
President

/lp

cc: Arthur R. Whale, Esq.
Raymond M. Speer, Esq.

# THE NEW YORK PATENT LAW ASSOCIATION, INC.

NEW YORK, N. Y.



February 19, 1980

The Honorable Birch Bayh
U.S. Senate Office Building
Washington, D.C. 20515

Dear Senator Bayh:

The New York Patent Law Association in its regular meeting of the Board of Directors on January 21, 1980 passed the following resolution:

> RESOLVED, that the New York Patent Law Association strongly urges the enactment of S.2079, 96th Congress, or any similar proposal that will establish the Patent and Trademark Office as an independent agency and remove it from the Department of Commerce, as we believe that such a change would enable said Office more effectively to carry out the constitutional mandate "to promote the progress of science and useful arts".

Please add this expression of support for your Bill to the many others I am sure you have received. We intend to write to Senators Javits and Moynihan asking them to support this measure.

Very truly yours,

William F. Eberle
President

# OREGON PATENT LAW ASSOCIATION

March 18, 1980

Senator Birch Bayh
363 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Bayh:

As President of the Oregon Patent Law Association, I have been requested by the Association to write to you expressing its support of S.2079. Our Association, which is made up principally of patent attorneys and patent agents engaged in both corporate and private practice, strongly supports the creation of an independent Patent and Trademark Office or, alternatively, any other restructuring plan which would give the Patent and Trademark Office a direct line of communication with Congress and the Office of Management to make its needs known.

We understand that on January 24, during hearings held jointly by the Senate Governmental Affairs and Judiciary committees, S.2079 was opposed by the Commerce Department in part because the bill would isolate the Patent and Trademark Office from other officials responsible for policy on industrial development and technological innovation. Even if this allegation were correct, which we doubt, it would in our opinion be a small price to pay to correct the present situation wherein those in Congress and the Office of Management who are responsible for satisfying the needs of the patent and trademark system have apparently become isolated from knowledge of those needs.

We believe that the real needs of the patent and trademark system can best be identified as the needs of the users of the system, i.e. those individuals, corporations and other entities who are responsible for innovation in this country and for whose motivation the systems (particularly the patent system) were originally established. These parties must have access to an effective patent and trademark system in order to justify the great effort and expense required of them for technological innovation and industrial development.

The needs of the users of the patent and trademark systems are, as far as we can determine from personal experience, known only to the Patent and Trademark Office. We, as representatives of our clients (the users) are in daily contact with officials of the Patent and Trademark Office. On numerous occasions the Commissioners of Patents and Trademarks and the various

Assistant Commissioners have expended the effort and time to visit personally with our Association and others like it throughout the country to evaluate our needs and consider our suggestions. As a result of this close contact with the user community, the Patent and Trademark Office had, in previous years, been particularly responsive to two of the most important of these needs, i.e. the need for more rapid action in response to patent and trademark applications, and the need for better examination to improve the quality and validity of issued patents.

While noticeable progress was made in previous years with respect to these needs, a substantial reversal of the previous positive trend has recently been noticed by our Association. The simplest clerical matters, such as issuance of filing receipts, notices of allowance and publication of trademarks, and notices of patent allowances, have now become delayed for unreasonably long periods of time. When inquiries are made to the Patent and Trademark Office regarding the status of cases, the files cannot be found. When action requiring only cursory review by the Solicitor's Office is requested, delays in excess of a year have been experienced because the particular member of the Solicitor's staff responsible for the matter is on loan for an extended period of time to a patent examining group to handle work loads left by ex-examiners for whom there has been no replacement due to funding limitations. Examination of trademark registration applications is now severely delayed. The frustrations to industrial developers and innovators caused by such situations inevitably gives them a bad impression of the patent and trademark system as a whole, making them wonder whether it is really worthwhile for them to attempt to use the system at all and offering them discouragement rather than motivation with respect to their developmental and innovative efforts.

The current deteriorated condition of the patent search files, in particular, greatly reduces the likelihood that the best prior art applicable to an invention will be found by either the patent applicant or by the patent examiner, leading to the inadvertent issuance of invalid patents which might have been made valid by proper claim drafting if the best prior art were known during prosecution of the patent application. When his patent is later found to be invalid because of new prior art, the innovator can suffer a complete lack of faith in the patent

system either discouraging him from further innovation or at least discouraging him from using the patent system further. An innovator who has suffered such discouragement with respect to the U.S. patent system will also not use foreign patent systems. Accordingly inventions made in this country will go unpatented overseas, permitting foreign manufacturers to compete freely with inventions developed at great expense in the U.S. rather than requiring that products embodying the inventions be exported from the United States. These adverse results of our deteriorating patent system are not mere speculation; they are attitudes which have been expressed to us by discouraged users of the system, whom we represent.

The Patent and Trademark Office is well aware of the problems faced by users of the patent and trademark systems, and has demonstrated a willingness in the past to attempt to solve these problems. However adequate funding of the Patent and Trademark Office is a prerequisite to the solutions. We question whether the Commerce Department, and in particular the Deputy Assistant Secretary for Science and Technology, has any interest in or understanding of the foregoing problems and their adverse effects upon technological innovators and industrial developers in this country. Although the officials of the Patent and Trademark Office have continually demonstrated an interest in conducting a dialogue with our Association and those like it throughout the country respecting the needs of the users of the patent and trademark systems, we have seen no evidence of similar interest from any other officials of the Commerce Department. Instead we have been forced to witness recent severe deterioration in the patent and trademark systems due to inadequate funding. The philosophy behind S.2079, in our opinion, is long overdue.

Very truly yours,

JEV:tmh

Jacob E. Vilhauer, Jr.
President
200 Wilcox Building
506 S.W. Sixth Avenue
Portland, Oregon 97204

cc: Mr. Arthur R. Whale
Chairman, NCPLA

P.S. This letter has also been sent to Senators Ribicoff, Jackson, Percy, Javits, Danforth, Kennedy, Dole and Thurmond.

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(815) 963-7661

February 15, 1980

The Honorable Chairmen and
Members of the Governmental
Affairs and Judiciary Committees
The United States Senate
Washington, D.C. 20510

Gentlemen:

Re: S.414 - University and Small Business Patent Procedures Act;
S.2079 - The Patent & Trademark Office as an Independent Agency

I am writing to you as President of the Patent Law Association of Chicago to express this Association's strong endorsement for Senate Bills 414 and 2079.

The Patent Legislation Committee of the Association has met and considered each of these bills in depth and recommended to the Board of Managers of the Association that it endorse these bills.

At the meeting of the Board of Managers of the Association on February 11, the enclosed reports of the Patent Legislation Committee of our Association were considered and the bills were discussed at length. The Board unanimously accepted the committee reports and has endorsed each of these bills.

We hope that you will agree that this important legislation merits your support.

Very truly yours,

C. Frederick Leydig, President
The Patent Law Association of Chicago

CFL/js
Enclosures

PATENT LEGISLATION COMMITTEE

P.L.A.C.

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Report on Bayh Bill S. 414
UNIVERSITY AND SMALL BUSINESS PATENT PROCEDURES ACT
as amended by the Senate Committee on the Judiciary,
Report No. 96-480, Calendar No. 515, Dec. 12, 1979.

RECOMMENDATION

The Committee recommends approval and passage by both the Senate and the House of the amended version of the Bayh bill, S. 414, University and Small Business Patent Procedures Act, as amended by the Senate Committee on the Judiciary in Report No. 96-480, Calendar No. 515, Dec. 12, 1979. This bill establishes a uniform federal patent procedure for inventions developed under federally funded research and development contracts, carried out by small businesses, universities and other nonprofit organizations. In general, such small business firms and nonprofit organizations would be allowed to retain title to such inventions, so as to afford the necessary incentives for licensing and manufacturing the inventions. In this way, the consuming public would be able to enjoy the benefits of such inventions. The public interest would be given further protection by numerous safeguards, including provisions which would reserve to the Government a royalty-free nonexclusive license under any such invention, and would provide for the compulsory licensing of third parties, under exceptional circumstances of clear need. The bill also contains provisions for a return to the Government of its investment, as to any invention which might produce royalties or profits in excess of minimum levels.

REASONS

Pursuant to recommendations of this Committee, the Patent Law Association of Chicago previously took action on the original version of this bill, S. 414, as set forth in a letter dated July 2, 1979, from the President of the Association, John J. Crystal, to Senator Birch Bayh. A copy of such letter is being submitted herewith. Such previous action of the Association generally approved and endorsed the original bill, with four qualifications and recommendations. The 3rd and 4th recommendations have been taken care of in the amended version of the bill. While the 1st and 2nd recommendations were not adopted by the Senate Judiciary Committee, the Patent Legislation Committee believes that the amended bill deserves the unqualified support of the Association.

The Patent Legislation Committee gave detailed consideration to the amendments made by the Senate Judiciary Committee in S. 414, as analyzed in an extensive report by a subcommittee headed by Mr. Jack R. Halvorsen. Some of these amendments were also present in Title II

of the Nelson bill S. 1860, Small Business Innovation Act of 1979, which was also analyzed by the Subcommittee.

The Patent Legislation Committee concluded that the amendments made in S. 414 by the Senate Judiciary Committee were of a character which could be supported, and that many improvements in the bill were made by such amendments.

The report of Mr. Halvorsen's subcommittee is being submitted herewith, along with a copy of the amended version of S. 414, as contained in the first 14 pages of the Senate Report No. 96-480. This copy is marked with the notes by Mr. John S. O'Brien, showing the amendments in the bill. A full printed copy of the Senate Report is also being submitted herewith.

A few of the more significant amendments will be mentioned specifically:

Section 202(c)(7)(b) has been amended to liberalize the restrictions upon the granting of exclusive licenses by nonprofit organizations. Under the amended version, these restrictions now apply only to persons other than small business firms.

Section 202(f) has been added to provide that no funding agreement with a small business firm or nonprofit organization shall contain a provision allowing a federal agency to require the licensing to third parties of background inventions, other than subject inventions made under the funding agreement, unless such provision has been approved personally by the head of the agency and a written justification has been signed personally by the head of the agency. Part (2) of this provision spells out the situation in which such licensing to 3rd parties could be required.

Section 204, relating to Return of Government Investment, has been extensively revised. It is believed that the revised provisions are more workable and less burdensome than the corresponding original provisions. For comparison purposes, a copy of the original version of S. 414 is also being submitted herewith.

ACTION REQUESTED

The Committee requests that this Report be approved, and that the substance of this Report be transmitted to Senator Bayh, the other Senators from Illinois, Indiana and Wisconsin, and the members of the House of Representatives from Illinois.

Frank Palmatier
Chairman

Encl.

February 1, 1980

PATENT LEGISLATION COMMITTEE

P.L.A.C.

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Report on

S. 2079 - INDEPENDENT PATENT AND TRADEMARK OFFICE ACT

RECOMMENDATION

The Committee unanimously recommends the passage of the Bayh bill S. 2079 which would establish the Patent and Trademark Office as an independent agency, while removing it from the jurisdiction of the Department of Commerce. The bill provides a six year term for the Commissioner of Patents and Trademarks, who would have the power to appoint all other officials and employees of the Patent and Trademark Office.

REASONS

The Patent and Trademark Office has long suffered from neglect by the Department of Commerce, with the result that the efficiency and effectiveness of the Patent and Trademark Office have recently declined to dangerously low levels. Vacancies in both the examining staff and the clerical workforce have not been filled, so that less and less people have been attempting to cope with an ever increasing workload in the examination and processing of patent and trademark applications. Consequently, the delays in the examination of patents and trademarks have lengthened from months into years. Clerical backlogs have delayed the processing and issuance of patents and trademarks by many months. The PTO is far behind in the replacement of missing copies of patents and trademarks in its search files, so that the reliability of the search files is in serious jeopardy.

This bill would not create any new bureaucracy, but would give the Commissioner of Patents and Trademarks the independence and authority to organize and supervise the PTO in a proper manner, to achieve high efficiency and effectiveness. In budgetary matters, the PTO would have direct access to the Office of Management and Budget and the Congress.

Subcommittee hearings were held in the Senate on this bill on January 24, 1980. At such hearings, the bill was supported by the testimony of six former Commissioners of Patents and Trademarks, Messrs. Ladd, Brenner, Schuyler, Gottschalk, Dann and Banner. Mr. Gottschalk was able to report that the bill is supported by the other two surviving former Commissioners, Mr. Coe and Mr. Watson, and that the principle of an independent Patent Office was supported by former Commissioners Ooms, Marzall and Kingsland, who are now deceased.

The establishment of the Patent and Trademark Office as an independent agency has been supported in principle by the Patent Law Association of Chicago and many other associations, including the American Patent Law Association, the U.S. Trademark Association, and the Patent Section of the American Bar Association.

## ACTION REQUESTED

The Committee requests that this Report be approved and that the substance of the report be transmitted to Senator Bayh, his co-sponsors Senators Nelson and Danforth, the Senators from Illinois, Wisconsin and Indiana, Senator Kennedy, the Chairman of the Senate Judiciary Committee, and the Illinois members of the House of Representatives.

Frank Palmatier
Chairman

February 1, 1980

# THE PATENT LAW ASSOCIATION OF PITTSBURGH



February 14, 1980

Arthur R. Whale, Chairman
National Council of Patent
Law Associations
Eli Lilly and Company
Indianapolis, Indiana 46206

Re: S.2079 (Bayh)

Dear Chairman Whale,

Please be advised that at the regular meeting of the Patent Law Association of Pittsburgh held on February 13, 1980, the membership voted unanimously in favor of Bayh Bill S.2079 to establish the Patent and Trademark Office as an independent agency apart from the Commerce Department.

Very truly yours,

Frederick B. Ziesenheim
National Councilman
Patent Law Association of Pittsburgh

FBZ/slr

cc: Senator Birch Bayh
Senator Richard Schweiker
Senator John Heinz

PEARNE, GORDON, SESSIONS, McCOY & GRANGER

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PATENT AND
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CARL A. RANKIN
JOSEPH J. CORSO
HOWARD G. SHIMOLA
STEPHEN A. HILL
JEFFREY J. SOPKO

HAROLD F. McKENNY
PAUL S. SESSIONS
OF COUNSEL

March 10, 1980

Senator Edward M. Kennedy, Chairman
Judiciary Committee
United States Senate
Washington, D.C. 20510

RE: S.2079

Dear Senator Kennedy:

Your support is earnestly requested for S.2079 to make the United States Patent and Trademark Office a separate agency, independent of the Department of Commerce. The most urgent of non-partisan considerations support the purpose of this bill.

Technological innovation in the United States has been declining at an alarming rate as President Carter, many members of the Congress, and other national leaders have recognized. Reversing that trend is vital to the physical and economic security of the United States. Stimulating technological innovation in this country is especially essential under the presently critical world and national conditions for maintaining an adequate national defense capability, for developing alternative sources of energy, and for helping U. S. industry to regain its once dominant position in world markets.

Everyone must recognize that technological innovation, like any other business and industrial activity, responds most quickly and enthusiastically to economic incentives. The basic purpose of our patent system is to provide that kind of incentive to inventors and to businesses that employ them.

The United States patent system has been, and still can be our greatest national incentive to technological innovation. Presidents Roosevelt, Kennedy, and Johnson, as well as President Carter, have all given special recognition to the important role the patent system must play in maintaining (or restoring) our country's historical leadership in technological progress. Unfortunately, the United States Patent and Trademark Office today is woefully unable to perform as it must for the patent system to succeed in its basic purpose.

Since the United States Patent and Trademark Office became a bureau of the Department of Commerce many years ago, it has not been permitted to demonstrate its own physical, personnel, and budgetary needs to the Congress or to account directly to the Congress for its performance. The result is that the Patent and Trademark Office has been prevented from keeping pace with the rapid advances of technology. Today, it is a "Model T" version (or worse) of what it must be to meet the needs of technological innovators.

It should come as a shock to both the Congress and the public to learn the true facts in this regard: Patent applicants receive official communications written longhand (sometimes illegibly) by professional patent examiners; those with illegible handwriting are encouraged to type their own communications but, even if able to type, often cannot find an available, idle typewriter. Search facilities, both for patent examiners and for the public, are the cornerstone of the system, but are antiquated, and it is not possible to maintain their essential integrity. The wonder is that our patent system has been able to function as well as it has, and much credit for that must go to the administrators and professional staff of the Patent and Trademark Office itself.

S.2079 will, for the first time, enable the dedicated professionals directly responsible for the operation of the Patent and Trademark Office to demonstrate to the Congress what is required to enable them to properly perform their duty to issue a high percentage of valid patents and to refuse patents for inventions that fail to meet the statutory requirements for patentability. It will enable the actual administrators of the Patent and Trademark Office to communicate directly to the Congress on such matters. This has been impossible while that Office has been dependent upon disinterested officials of the Department of Commerce.

History has sufficiently demonstrated that a bill such as S.2079 offers the only hope for obtaining a Patent and Trademark Office that can properly perform its functions, and the need for this has never been so pressing as it is today. This legislation will not create a new bureau. Instead, it will enable an existing one to function effectively.

Please support Senators Bayh, Nelson, Danforth, and Eagleton, the co-sponsors of S.2079, in securing early passage of that bill and in seeing to it that the objectives of the bill are promptly implemented.

Respectfully,

PEARNE, GORDON, SESSIONS, McCOY & GRANGER

John F. Lyons, Howard Gilmore, Thomas P. Schlueter

Arthur Gee, Joseph P. Lee, W. M. Tant

Wallace Gray, Carl A. Rankin, Paul S. Sessions

Louis Edenfield, Stephen A. Hill

Richard W. Mithoff, Jeffrey J. Sigler

PHARMACEUTICAL MANUFACTURERS Association

LEWIS A. ENGMAN
PRESIDENT

1155 FIFTEENTH STREET, N.W.
WASHINGTON, D.C. 20005
AREA CODE 202-463-2020

February 20, 1980

Senator Birch Bayh
U. S. Senate
363 RSOB
Washington, D. C. - 20510

Re: S. 2079 - Creation of an Independent Patent and Trademark Office

Dear Senator Bayh:

The Pharmaceutical Manufacturers Association is a nonprofit trade association comprised of 143 companies engaged in the research, development and manufacture and marketing of prescription drugs, medical devices and diagnostic products.

Patents and trademarks create important industrial property rights for our member firms. PMA member companies spend enormous amounts in new drug research (over $1.4 billion in 1978) and rely upon the incentives provided by our patent system to justify such expenditures. Trademarks are equally important. New pharmaceutical products are developed, manufactured and marketed with care and integrity, creating a reputation for quality and performance. These elements obviously come to be identified by the mark identifying the manufacturer's product. The unique care and "know-how" which is built into the product are symbolized in the trademark name, which acquires a special value of its own. The consumer recognizes this mark as a guarantee of product reliability.

We support your efforts to strengthen the patent and trademark systems through the creation of an independent Patent and Trademark Office. It is obvious to those who deal with the Patent and Trademark Office that there are staffing and other deficiencies which must be overcome. This situation has created an impediment rather than an aid to innovation.

Dealys of up to one year in processing of trademark applications are common. The patent records are in a state of confusion with patents missing from virtually every subclass in the patent files.

We recognize that the Patent and Trademark Office is underbudgeted. However, simply increasing the budget will not solve the inherent problems

of the system. In our view the establishment of the office as an independent agency will allow the Congress to address problems directly. Currently, these problems often become subordinate to other issues and programs the Commerce Department views as more important.

The innovation decline in this country must be reversed. In our view, S. 2079 represents one initiative toward that goal. Accordingly, we express our support for this legislation.

Sincerely,

Lewis A. Engman
President

PRAVEL, GAMBRELL, HEWITT,
KIRK, KIMBALL & DODGE
PROFESSIONAL CORPORATION
TENTH FLOOR
1177 WEST LOOP SOUTH
HOUSTON, TEXAS 77027

BERNARR ROE PRAVEL
JAMES B. GAMBRELL
ALBERT B. KIMBALL, JR.
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LESTER L. HEWITT
JOHN R. KIRK, JR.
RICHARD L. SCHWARTZ
CHARLES H. COX
WILLIAM E. LANGE
ROBERT E. SANDFIELD
HAROLD J. DELHOMMER
PAUL E. KRIEGER

ATTORNEYS AT LAW
PATENT AND TRADEMARK CAUSES

COKE WILSON
OF COUNSEL

TELEPHONE
AREA CODE 713
650-0909

February 12, 1980

Senator Birch Bayh
ATTENTION: Mr. Joseph P. Allen
U.S. Senate
Washington, D.C. 20510

Re: S.2079

Dear Senator Bayh:

As I have stated to you on previous occasions, we in the Intellectual Property Section of the State Bar of Texas have adopted the position supporting the above legislation. We appreciate Mr. Joe Allen appearing before the National Council of Patent Law Associations' meeting last Saturday, February 9th, and discussing the pending matters of legislation, including S.2079, with us. It is always enlightening to have someone close to legislation comment upon it.

In response to a conversation which I had with Mr. Allen at the meeting, enclosed is a copy of the Resolution adopted by the Intellectual Property Section of the State Bar of Texas supporting the above-identified Independent Patent and Trademark Office Bill. We would appreciate having this Resolution appear in the record on the proceedings with respect to the legislation.

We who practice before the Patent and Trademark Office on a regular basis are deeply indebted to you and hereby express our gratitude for your efforts in patent related legislation.

Sincerely,

John R. Kirk, Jr.

JRK:nn
Enclosure

RESOLUTION

WHEREAS the patent system has served this nation well in the past through the processing of patent applications and making the disclosures of inventions available to the public; and

WHEREAS the pace of techological advance has substantially increased to effectively impair the achievement of the objectives of the patent system and the operation of the Patent and Trademark Office in particular; and

WHEREAS an independant Patent and Trademark Office, answerable only to the Congress of the United States, can better achieve the objectives of the patent system and serve the United States;

NOW THEREFORE BE IT RESOLVED that the State Bar of Texas hereby supports in principle the concept of the Patent and Trademark Office as an independant agency answerable only to the Congress of the United States and, more specifically, as set forth in Senate Bill S.2079; and

BE IT FURTHER RESOLVED that the Secretary of the State Bar of Texas inform the Representatives and Senators from the State of Texas to the United Sattes Congress of this resolution.

PRAVEL, GAMBRELL, HEWITT,
KIRK, KIMBALL & DODGE
PROFESSIONAL CORPORATION
TENTH FLOOR
1177 WEST LOOP SOUTH
HOUSTON, TEXAS 77027

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HAROLD J. DELHOMMER
PAUL E. KRIEGER

COKE WILSON
OF COUNSEL

TELEPHONE
AREA CODE 713
850-0909

March 6, 1980

Senator Burch Bayh
ATTENTION: Mr. Joseph P. Allen
United States Senate
Washington, D.C. 20510

RE: S.2079, Independent Patent and Trademark Office Bill

Dear Senator Bayh:

I have previously corresponded with you concerning the position of the Patent and Trademark Copyright Section of the State Bar of Texas favoring the above-identified legislation. It is now my distinct pleasure to inform you that on March 4, 1980, the Houston Patent Law Association, composed of more than 200 members in the Houston and Texas Gulf Coast area, adopted a position favoring the separation of the Patent and Trademark Office from the Department of Commerce and the establishment of it as an independent agency.

The vote of the membership assembled at the meeting was unanimous since all who attended recognize the problems which had fallen on the Patent Office in the last few years and the deteriorating quality of the performance of the Office despite the efforts of the very fine people who struggled to perform the mission of the Patent and Trademark Office on behalf of the inventors and general public of the United States. Your support of the Patent and Trademark Office is greatly appreciated. Though the general public of this country may not appreciate the impact of your efforts, they are forever in your debt for your work on this matter.

Yours very truly,

John R. Kirk, Jr.

JRKjr/las

cc: A. R. Whale
D. A. Rose

RON'S® KRISPY FRIED CHICKEN, INC.
"FLAVORED TO THE BONE"®

February 27, 1980

Senator Birch Bayh
Judiciary Committee
Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Bayh:

This is to seek your support for Senate Bill 2079 which was introduced by Senators Bayh, Nelson and Danforth. This office directly effects the operations of my company due to the enormous amount of time and money that we have spent going through governmental red tape in order to get a trademark on our corporate name.

I personally feel that as an independent agency the Patent & Trademark Office would run with greater efficiency. Ron's Krispy Fried Chicken, Inc. is a small but growing business, however, the trademark on our corporate name is as important to us in our growth as is the trademark to larger corporations. Without an effective trademark and a quick way to settle any claims for violations of our trademark, then it is highly unlikely that we could grow effectively.

Mr. Edward Lahey, Jr., Vice President and General Counsel for PepsiCo, Inc. summed the problem very well, "Suffice to say that it is the well-founded belief of many American businessmen that the Patent & Trademark Office's effectiveness and productivity is diminishing each day that it continues within the Department of Commerce and that we have little reason to believe the future holds any hope for change."

For these reasons we wholeheartedly support S. 2079 and urge you and your colleagues to support it as well. Thank you for your time and consideration.

Very truly yours,

Steve Woodall

Steve Woodall
Executive Vice President

SW:db

10101 FONDREN ROAD • SUITE 300 • HOUSTON, TEXAS 77096 • 713 / 981-9990

# SAGINAW VALLEY PATENT LAW ASSOCIATION

POST OFFICE BOX 102
MIDLAND, MICHIGAN 48640

1980 FEB 11 PM 2 37

February 7, 1980

Senator Birch Bayh
363 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Bayh:

The Saginaw Valley Patent Law Association wishes to express our support for S.2079 to establish the Patent and Trademark Office as an independent agency.

We appreciate that the decline in innovation in the United States has been brought about by many factors, and that there is no one bill which will cure all the ills. However, we firmly believe that the patent system provides a reward which encourages investment in research and an incentive which cannot be provided by any other system. The patent system is ill. Part of the reason for the illness is the inadequate funding. We believe that part of the reason for such inadequate funding is that the Patent and Trademark Office has substantially no direct participation in budget planning with the Office of Management and Budget for the Congress.

We believe that if the Patent and Trademark Office were made a separate agency, it could obtain sufficient funding to again make it a strong force in providing good patents as one incentive for innovation.

Sincerely,

Bruce M. Kanuch

Bruce M. Kanuch
President

BMK/dd

Donald W. Canady
Patent and Trademark Counsel

THE SIGNAL COMPANIES

January 2, 1980

Senator Alan Cranston
10960 Wilshire Blvd.,
Rm. 410
Los Angeles, CA 90024

Re: S. 2079 Independent Patent and Trademark Office Act

Dear Senator:

I strongly urge that you support the above bill which was introduced by Senator Bayh on December 5, 1979. I have worked in the patent and trademark fields for over 20 years and find the conditions in the Patent and Trademark Office to be deplorable - as described by former Commissioner Donald W. Banner in his recent speech to the American Bar Association. Mr. Banner summed up the situation as follows: "In my view, we are faced with a slowly but steadily declining Patent and Trademark Office. Not only are we failing to make the PTO a model office, we are failing to provide the necessary maintenance. If we do not promptly reverse this direction of movement, it shall soon be infected with an administrative dry-rot condition, rendering it moribunt."

I think that it is important to note that Senator Bayh's bill will not be creating any new bureaucratic entity, but will merely remove the Patent and Trademark Office from the Commerce Department where it suffers from inattention and a failure to appreciate its complex problems.

Please let me know if you will support S. 2079.

Respectfully,

Donald W. Canady

DWC/ch

cc: Senator Birch Bayh
Frank Sanders

# STATE BAR OF TEXAS

**INTELLECTUAL PROPERTY LAW SECTION**



February 25, 1980

Senator Birch Bayh
Attn: Mr. Joseph P. Allen
U. S. Senate
Washington, D.C. 20510

S2079

Dear Senator Bayh:

The Intellectual Property Law Section of the State Bar of Texas has taken the position that the captioned legislation is beneficial not only to the patent system, but to the public at large. That position is evidenced by the enclosed resolution. We are now in the process of requesting the State Bar of Texas Board of Directors to adopt this resolution as an action of the State Bar to express our support for this very important legislation.

By copy of this letter to Senator Tower and Senator Bentsen I am requesting on behalf of at least our section their cooperation in obtaining passage of the legislation.

Very truly yours,

William J. Scherback

WJS/kmb
Enclosure

cc: Senator Lloyd Bentsen
240 Russell Senate Office Bldg.
Washington, D.C. 20510

Senator John G. Tower
142 Russell Senate Office Bldg.
Washington, D.C. 20510

RESOLUTION

WHEREAS the patent system has served this nation well in the past through the processing of patent applications and making the disclosures of inventions available to the public; and

WHEREAS the pace of techological advance has substantially increased to effectively impair the achievement of the objectives of the patent system and the operation of the Patent and Trademark Office in particular; and

WHEREAS an independant Patent and Trademark Office, answerable only to the Congress of the United States, can better achieve the objectives of the patent system and serve the United States;

NOW THEREFORE BE IT RESOLVED that the State Bar of Texas hereby supports in principle the concept of the Patent and Trademark Office as an independant agency answerable only to the Congress of the United States and, more specifically, as set forth in Senate Bill S.2079; and

BE IT FURTHER RESOLVED that the Secretary of the State Bar of Texas inform the Representatives and Senators from the State of Texas to the United Sattes Congress of this resolution.

# TOLEDO PATENT LAW ASSOCIATION

MEMBER: NATIONAL COUNCIL OF PATENT LAW ASSOCIATIONS

TOLEDO, OHIO



February 19, 1980

Senator Birch Bayh
U.S. Senate
Washington, D. C. 20510

ATTN: Joseph P. Allen

Dear Senator Bayh:

The Toledo Patent Law Association fully supports the legislation you recently introduced (S.2079) to establish the Patent and Trademark Office as a separate agency apart from the Commerce Department. Our association feels this legislation will be very beneficial for the Patent and Trademark Office and will help to resolve the financial difficulties currently facing the Patent and Trademark Office.

If the Toledo Patent Law Association may assist you in any way in obtaining the passage of S.2079, please do not hesitate to contact me.

Yours very truly,

Richard Heberling

Richard Heberling
President
Toledo Patent Law Association

RH/CRS/mes

cc: Senator Glenn
Senator Metzenbaum

**The Toro Company**

One Corporate Center
7401 Metro Boulevard
Minneapolis, Minnesota 55435
612/887-8900

**Mary A. Elliott**
Vice President
Public Affairs

January 28, 1980

The Honorable Birch Bayh
United States Senate
363 Russell Office Building
Washington, D.C. 20510

Dear Senator Bayh:

Attached is a copy of a telex sent in support of your bill, S. 2079, establishing an independent Patent and Trademark Office (PTO), to the Governmental Affairs and Judiciary Committee chairmen and to the senators representing states in which The Toro Company has a facility.

Your efforts to make the PTO office more efficient and effective are greatly appreciated.

Please let us know if we can be of further assistance.

Sincerely,

Mary Elliott

az

89554+
WUSENATE WSH
+
TORO INT EDNA
JANUARY 23, 1990

Senators Ribicoff
Kennedy
Durenberger
Culver
Glenn
Metzenbaum

ATTENTION: SENATOR ABRAHAM RIBICOFF/ 337 RUSSELL

THE TORO COMPANY URGES YOUR SUPPORT OF S. 2079, THE INDEPENDENT PATENT AND TRADEMARK ACT, AT THE JOINT GOVERNMENTAL AFFAIRS/ JUDICIARY COMMITTEE HEARING ON JANUARY 24. WE BELIEVE THAT TO ESTABLISH THE PATENT AND TRADEMARK OFFICE (PTO) AS A SEPARATE AGENCY APART FROM THE COMMERCE DEPARTMENT COULD MINIMIZE, IF NOT ELIMINATE, THE BACKLOG AND LONG DELAYS COMPANIES ARE CURRENTLY EXPERIENCING IN THE PROCESSING OF THEIR PATENT AND TRADEMARK REQUESTS.

PRESENTLY UNDER THE COMMERCE DEPARTMENT, THE PTO IS LOW PRIORITY. IT IS UNDERFUNDED, UNDERSTAFFED, AND THEREFORE UNABLE TO RESPOND ON A TIMELY BASIS TO PATENT AND TRADEMARK REQUESTS. (AN EIGHT-MONTH WAITING PERIOD IS NOT UNUSUAL FOR A REPLY ON TRADEMARK REQUESTS.) ADDITIONALLY, UNDER THIS SYSTEM, THE PATENT LIBRARY IS NOT PROPERLY STAFFED AND MAINTAINED. FOR EXAMPLE, LAST NOVEMBER A TORO PATENT AGENT AND TWO ENGINEERS, WHILE CONDUCTING A PATENT SEARCH AT THE PATENT OFFICE, FOUND FOUR SHELVES OF PATENTS MISSING. THIS IS PARTICULARLY ALARMING TO US BECAUSE ONE OF THOSE MISSING PATENTS COULD LATER SURFACE AND BE PRODUCED IN COURT TO CHALLENGE THE VALIDITY OF AN ISSUED PATENT.

IT IS OUR UNDERSTANDING THAT S. 2079 WOULD MAKE THE PTO AN INDEPENDENT AGENCY WITHOUT CREATING A NEW BUREAUCRACY. IT WOULD ALLOW THE PRESENT PTO STAFF TO FUNCTION MORE EFFECTIVELY AND EFFICIENTLY THEREBY ENCOURAGING INNOVATION AND PRODUCTIVITY.

THE TORO COMPANY THANKS YOU FOR YOUR CONSIDERATION AND WOULD APPRECIATE YOUR SUPPORT OF S. 2079. PLEASE LET US KNOW IF WE CAN BE OF FURTHER ASSISTANCE.

SINCERELY,

VERNON A. JOHNSON
VICE PRESIDENT, SECRETARY
AND GENERAL COUNSEL
THE TORO COMPANY
MINNEAPOLIS, MINNESOTA

CC: [redacted]
JOHN DANFORTH
GAYLORD NELSON
+
WUSENATE WSH
JEF NCTMINT EDNA
+
WUSENATE WSH
+
TORO INT EDNA

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IRONS AND SEARS
A PROFESSIONAL CORPORATION
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EDWARD S. IRONS
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MILTON S. WINTERS
JAMES R. LARAMIE
FRANK E. ROBBINS
LORANCE L. GREENLEE
THOMAS W. COLE
JOHN E. HOLMES

January 4, 1980

The Honorable Birch Bayh
United States Senate
Russell Senate Office Building
Suite 363
Washington, D.C. 20510

Re: S 2079; Independent Patent and Trademark Office Act

Dear Senator Bayh:

The United States Trademark Association supports this bill and appreciates your sponsorship of it. Mr. Gibson, the president, has asked me to convey this to you. The Association is willing to do whatever it can to aid the Congress in the consideration and eventual passage of this important legislation.

Very truly yours,

John T. Roberts

JTR/mdh

cc: Louis M. Gibson
Trademark Manager
Monsanto Company
800 N. Lindbergh Boulevard
St. Louis, Missouri 63166

WASHINGTON STATE PATENT LAW ASSOCIATION
2810 SEATTLE-FIRST NATIONAL BANK BUILDING
SEATTLE, WASHINGTON 98154

March 7, 1980
2-1103-7000-1648

The Honorable Senator Birch Bayh
United States Senate
Washington, DC 20510

Attention: Mr. Joseph P. Allen

Dear Senator Bayh:

I am writing to you on behalf of the Washington State Patent Law Association regarding Senate Bill 2079 which would establish the Patent and Trademark Office as a separate agency of the United States Government. The Washington State Patent Law Association is comprised of approximately 75 patent attorneys and agents who practice before the Patent and Trademark Office. The members of our association represent business and individual interests throughout the state of Washington and in portions of our neighboring states. As patent and trademark practitioners who must deal with the Patent and Trademark Office on a regular basis, we have been somewhat dismayed over the years by what appears to us to be a deterioration of the Office in its ability to serve the public and discharge its duties and responsibilities under the United States Constitution.

We believe that the United States Patent and Trademark laws play a vital role in the well being of the United States economy and encourage both individuals and business organizations to continue to seek solutions to the increasing number of problems that we face as a nation. A healthy Patent and Trademark Office would appear to us to be in the best interests of the United States and its citizens.

Although we are not in a position to determine the causation of any apparent decline in the ability of the Patent and Trademark Office to discharge its duties and responsibilities, we are led to believe by various sources including the testimony of those who are or were in such a position that at least a portion of the blame can be laid on the difficulty that the leadership of the Patent and Trademark Office has faced in the past with respect to obtaining appropriate support from Congress for its operation. Being subordinate to an agency which from time to time may have interests not necessarily in harmony with those of the Patent and Trademark Office could certainly have contributed to the Patent and Trademark Office's present condition.

In view of the above, at our regular meeting on March 6, 1980, the Washington State Patent Law Association voted unanimously to support your Senate Bill 2079 relating to the establishment of the Patent and Trademark Office as a separate agency. We believe that passage of this bill would be a positive step towards improvement of the operation of the Office and the enhancement of our valuable free enterprise system.

We sincerely hope that the bill will ultimately be enacted into law.

Respectfully,

WASHINGTON STATE PATENT LAW ASSOCIATION

by J. Peter Mohn
President

cc: Senator Warren G. Magnuson
Senator Henry M. Jackson

LAW OFFICES OF
WHANN, WHANN & CLEVENGER
*Patent, Trademark & Copyright Causes*
FINANCIAL SQUARE, SUITE 1142
600 B STREET
SAN DIEGO, CALIFORNIA 92101
(714) 238-0622

WELTON B. WHANN
JAMES E. CLEVENGER, JR.

B. WELTON WHANN
OF COUNSEL

January 7, 1979

Hon. Birch Bayh
United States Senator
Judiciary Committee
Russell Senate Office Building, Room 363
Washington, D.C.

RE: Independent Patent and Trademark Office Act., S. 2079

Dear Senator Bayh:

As specialists in trademark matters, we urge you to give favorable consideration to the Independent Patent and Trademark Office Act, S. 2079. We are now experiencing, much to our regret, a time lapse of up to one year between the filing of a trademark application and the first office action in response to it. We sincerely believe the Independent Patent and Trademark Office Act will permit the Patent and Trademark Office to function more efficiently than is now possible.

Respectfully,

Welton B. Whann

Welton B. Whann

WBW:jw

WIGMAN & COHEN
PATENT & TRADEMARK ATTORNEYS
SUITE 200 CRYSTAL SQUARE 3
1735 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VIRGINIA 22202
(703) 892-4300

HERBERT COHEN
VICTOR M. WIGMAN
GEORGE C. MYERS, JR.
JOSEPH SCAFETTA, JR.
MICHAEL C. GREENBAUM

OF COUNSEL
WERNER W. KLEEMAN

CABLE: WIGCO
ARLINGTON, VA.
TWIX NO. 710 956 0672
WIGCO - AOTN

January 3, 1980

Honorable Edward M. Kennedy
Chairman, Judiciary Committee
Dirksen Senate Office Building
Washington, D.C.

Re: S. 2079 - "Independent Patent and Trademark Office Act"

Dear Senator Kennedy:

We, the undersigned registered patent attorneys, urge that you support the passage of the above-identified bill for the following reasons:

1. The Patent and Trademark Office is larger than some existing independent agencies but it has no direct voice in its own affairs since the Department of Commerce is supposed to speak for it;

2. There is no direct contact between the Patent and Trademark Office and the Office of Management and Budget because the bureaucracy in the Department of Commerce represents an uninformed obstacle between the Commissioner of the PTO and the Director of the OMB; and

3. The bill would permit the Commissioner of the PTO to be heard on legislative and budgetary matters directly affecting the responsibilities assigned to the PTO;

4. There is an URGENT need to improve the efficiency and effectiveness of the U.S. Patent and Trademark Office in order to foster innovation and to promote the progress of science and industry, as stated in our Constitution, Article I, Section 8.

Once again, your help is respectfully requested.

Very truly yours,

WIGMAN & COHEN

Herbert Cohen

Victor M. Wigman

George C. Myers, Jr.

Joseph Scafetta, Jr.

Michael C. Greenbaum

JS/eao
cc: All members of Judiciary Committee;
Commissioner, U.S. Patent and Trademark Office;
Dorothy Fey, Executive Director, U.S. Trademark Association

○