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November 28, 1977

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LEGISLATIVE LETTER NO. 1 (1977-78)

TO: Members of National Council of Patent Law Associations

FROM: J. Jancin, Jr., Legislative Reporter

Foreword: This issue of the Letter is a potpourri of items from within the intellectual property law area. Some are currently active, whereas other items are on a low burner. The Government Patent Policy Bill as introduced by Congressman Thornton may be in trouble, and will be discussed briefly. The PCT has caught up with the EPC as a reality. So let's take a look at our potpourri including potential action items.

Farewell To A Friend: Senator McClellan's death represents the passing of a dependable and understanding supporter of the invention & patent system. He not only had become known as the tiger of the Senate for his investigatory capabilities; and not only as one of the most powerful men in the Senate as evident from the Committees he chaired; but, in the intellectual property law area, was willing to lead a small PT&C Senate Subcommittee in an attempt to complete a PT&C legislative job in a reasonable manner. He will be missed.

National Inventors Hall Of Fame: There is currently a fund-raising drive to obtain at least $50K to cover present needs--i.e., to improve upon the present Hall Of Fame facility for display cabinets for inventors inducted into the Hall Of Fame. In his 11/4/77 letter to Local Fund-Raising Chairmen, the National Chairman Edward J. Brenner emphasizes upon a need to raise at least $100K to meet present and future Hall Of Fame needs while aiming towards a $250K basic fund drive goal. He requests every individual member of every NCPLA organization member association to contribute $10 or more so that the National Inventors Hall Of Fame may truly be an institution originated & maintained by members of the Bar interested in and obliged to honor inventors.

Contributions: Your contributions to the Hall Of Fame fund-raising drive may be mailed to:

National Inventors Hall of Fame Foundation, Inc.
Crystal Plaza 3, Room 1-D-01 ($25 -- ___ Send Bronze Medallion)
2021 Jefferson Davis Highway ($100-- ___ Send Silver Medallion)
Arlington, Virginia 22202

If you give $25, you'll receive as a token of appreciation a 2-1/2" bronze Inventor's Medallion (it sold last year for $15); if you give $100, you'll receive a silver Inventor's Medallion (which sold last year for $75). Contributors of $100 or more will have their names permanently inscribed in a Donors Book which will be maintained for all to see in the Hall of Fame. Be sure to specify Medallion.

"Pass It On"

All contributions are tax deductible, and checks can be made out to the "National Inventors Hall of Fame".

A Warning Flag: S.1811 is the ERDA authorization Bill that had been vetoed recently by President Carter because of, among other things, his opposition to the Clinch River breeder reactor. In the section of the Bill directed to loan guarantees for alternative fuel demonstration facilities, the House agreed upon the following provision:

> "(r) Inventions made or conceived in the course of or under a guarantee authorized by this section, shall in case of default, be subject to the title and waiver requirement and conditions of section 9 of this (ERDA) Act."

The Senate version of the foregoing provision included similar language except, however, for omission of the "in case of default" phrase. Subsequently, the Bill as reported out of House-Senate Conference contained the Senate version--and, accordingly, the Bill as cleared by Congress for transmittal to the President on 10/20/77 contained a provision that would have vested title in the Federal Government to any invention emerging from a new loan guarantee program for the development of alternative fuels.

Is there a warning flag by the Congress in this series of actions as to the climate therein regarding its mood with respect to title in inventions resulting from programs not necessarily sponsored by the Federal Government but only loan guaranteed? Some comfort can be taken from the act of the House to pass the provision that it did. On the other hand, comfort cannot be taken from the act of the Senate to pass the "(r)" provision above, but excluding the "in case of default" language. One Bar Association wrote to President Carter to say that, "vesting in the Government of title to any invention made under a loan guarantee constitutes an unwarranted invasion of the exclusive rights of inventors to their discoveries". President Carter had until 11/5/77 to sign the Bill. He vetoed it instead, and the Congress has yet to act in an attempt to override his veto. There aren't any reports in connection with the veto that reveal the President's stand on the invention matter.

Federal Patent Policy: There are indications of an eroding of support within some areas of the Executive Branch for principles enunciated in the Thornton Bill which would provide a Contractor with a defeasible title to every subject invention made in the performance of work under a Government contract. A key competitive alternative to the concept in the Thornton Bill appears to be the title policy with waiver approach in ERDA (now Department of Energy (DOE)).

Looking back only a short time ago, a draft study prepared under the direction of the Assistant Secretary of Commerce for Science & Technology, articulated a concern regarding the great variety of existing Federal patent policies with their emphasis on Government ownership of inventions as a hinderance to the commercialization of technology developed with Government funds. The suggested action by this official within the Ford Administration, was for the Administration to introduce the draft bill that had been developed within the Government by the Government Patent Policy Committee. It was this draft that found its way into Thornton H.R.6249 as introduced on 4/6/77 with Congressman Teague as co-sponsor.

Although the Carter Administration has not taken a public position regarding the Federal patent policy principles in the Thornton Bill, some members of the Government Patent Policy Committee as well as some organizations within the Executive Branch are believed to be on the verge of a "no support" posture.

Thornton H.R.8596: This is the same Bill as the H.R.6249 discussed in Letter #5 (4/26/77) and in Letter #9 (8/30/77). Hearings that were being considered tentatively for 11/77 and then 2/78 have been moved back to a later date in possibly May 1978. It is for this reason that each NCPLA Association should give this matter the serious consideration suggested some months ago by Gene Bernard in his capacity as Chairman of the NCPLA Subcommittee on Legislation. And, if the Administration should oppose the invention title concept in the Thornton Bill, the tentative 5/78 hearings may not be scheduled.

Nelson Committee Hearings: Senator Nelson may hold hearings on Federal Patent Policy in mid-December 1977, relative to the topic generally and not necessarily to any Bill in particular.

PCT--It's Here: A recent Notice in the O.G. announces that as of 10/24/77 all requirements have been fulfilled for entry into force of the PCT on 1/24/78. The U.S. PCT implementing legislation on page 108 of the 8/76 green-cover issue of "Patent Laws", will also become effective on 1/24/78. Although the Proposed Rulemaking published in the 2/8/77 issue of the O.G. has yet to be finalized, the aforementioned Notice in the 11/22/77 issue of the O.G. okays the filing of U.S. patent applications now in substantially the PCT-EPC format. By so preparing applications, it should be possible to eliminate the need for reformatting and retyping a case if it is later filed as a PCT International application or an EPC European application.

European Patent Office: The EPO Directorate of Information made the following announcement on 11/14/77--i.e., "The first issue of the (EPO) Offical Journal will appear in December 1977. The contents will include an announcement concerning the filing of patent applications and the fields of technology in which it is hoped to accept patent applications from 6/1/78 and from 12/1/78, an organigram of the European Patent Organization, the rules relating to fees and amendments to the Implementing Regulations. Single copies will cost DM 10.-(within Europe) and DM 12.-(overseas) including postage. The second issue of the Official Journal will appear in January 1978. It will contain the first list of professional representatives (Article 163 EPC), the provisions adopted by the Administrative Council under Article 134 (8) EPC, and the forms for authorizations and general authorizations (Rule 101 EPC). Single copies will cost DM 17.-(within Europe) and DM 19.-(overseas) including postage. These two issues can be ordered separately or together from:

European Patent Office
Department 4.5.2 (Distribution)
RosenheimerstraBe 30
D - 8000 MUNCHEN 80
Telex 05 23 656

Payment should be made in advance, indicating the purpose for which they are intended, into account no. 3 338 800 00 at the Dresdner Bank in Munich (BLZ (Bank code) 700 800 00)."

Copyright Office Rulemaking: This important activity has been moving right along. Notices re Proposed Rulemaking and Final Rulemaking have been published widely by the Copyright Office, in the Federal Register, and by commercial publishers. Accordingly, no real purpose can be reached by an attempt in this Letter to report upon the content in these notices except possibly for the series of notices discussed in the following section with respect to photocopying copyright warning.

Warning Of Copyright For Use By Libraries & Archives: The advance notice of related proposed Rulemaking appears in the 3/30/77 Federal Register; the Proposed Rulemaking appears in the 8/17/77 Federal Register; and the Final Regulation appears in the 11/16/77 Federal Register. Although the Regulation is adopted to implement §108(d)(2) & §108(e)(2), the actual content of the Display Warning and the Order Warning in the Regulation does not exclude their use in library photocopying under the Fair Use provision §107.

In this general connection, House Report No. 94-1476 states, at the recommendation of the Register, that: "The doctrine of fair use applies to library photocopying, and nothing contained in §108 in any way affects the right of fair use. No provision of §108 is intended to take away any rights existing under the fair use doctrine. To the contrary, §108 authorizes certain photocopying practices which may not qualify as a fair use."

Under the heading "Machine Warnings", the 8/17/77 Proposed Rulemaking points out that since §108(f)(1) specifically refers to a, "notice that the making of a copy may be subject to the copyright law", it does not require further regulatory determination by the Copyright Office.

In summary, an on-going user awareness will be served if in all libraries including those within industrial or proprietary institutions (e.g., a R&D laboratory library), use were to be made of a form of Display Warning and Order Warning as discussed with respect to §108--and in posting a notice with unsupervised reproducing equipment akin to the notice in §108(f)(1).

NASA Patent Waiver Regulations: The most recent revision to these regulations effective as of 11/3/77, appears in the 11/3/77 issue of the Federal Register.

CONTU Extension Bill: Since CONTU was late getting started because of the Presidential delay in appointing Commissioners thereto, on 10/13/77 the Congress enacted Public Law 95-146 to permit CONTU to submit its final report to the President and the Congress by 7/31/78, rather than the previously earlier statutory date of 12/31/77. As reported in an earlier Letter, CONTU has four Subcommittees directed to computer software, data bases, machine generated works, and photocopying. It is believed that all but the 3rd Subcommittee have made reports available for public examination and comment.

Confidential Business Data: A notice by the International Trade Commission states, apparently for purpose of exemption under the Freedom of Information Act, that any business information which an interested person desires the Commission to treat as confidential shall be submitted on separate sheets, each clearly marked "Confidential Business Data" at the top. See 11/4/77 Federal Register.

Organizational Conflicts Of Interest: The 9/20/77 issue of the Federal Register includes a proposed policy from the Office of Federal Procurement Policy in which the OMB is considering the adoption of an across-the-board requirement by all Federal executive agencies governing organizational conflicts of interest with respect to specific recited examples of contractual relationships that constitute such conflicts, as well as rules for their avoidance.

FOIA: House Report No. 95-793 is about a citizen's guide on how to use the Freedom Of Information Act and the Privacy Act in requesting Government documents. The 11/2/77 Congressional Record also refers to an Executive Communications letter from the General Counsel of the Copyright Office, transmitting notice of several existing and proposed new records systems, pursuant to 5 USC 552a(o).

"Pass It On"

The House Subcommittee on Government Information and Individual Rights has been holding hearings on the use of the FOIA by business. Congressman Preyer has an interesting insert on page H10581 of the 10/4/77 Congressional Record relative to highlights from preliminary findings by the Congressional Research Service of the Library of Congress about annual reports from the Executive Branch departments & agencies.

Finally, for those interested in reviewing the latest case list comprising Court rulings on the FOIA issued up to 7/77, see page S17126 of the 10/13/77 Congressional Record.

Accommodations For Court Of Appeals Judges: Congress passed H.R.2770 whose purpose it is to provide accommodations for Judges of the U.S. Court of Appeals at places other than those where regular terms of Court are authorized by law to be held, if (1) such accommodations have been approved as necessary by the Judicial Council for the appropriate circuit, and (2) space is available without cost to the Government.

Customs Court: The 10/1/77 ABA Newsletter states that Senate hearings on DeConci S.1430, a Bill to give the U.S. Customs Court equity juridiction, were postponed probably until next year at the request of the Department of Justice which is working on broader legislation.

Recombinant DNA Legislation: This matter as exemplified by S.1217 is still active in Congress. A summary-type statement by Senator Stevenson appears on page S15410 of the 9/22/77 Congressional Record; see also page S16953 of the 10/11/77 Record where Senator Bumpers, who had previously introduced S.621, states that Congress would not pass any DNA related legislation during this session. Proposed revised guidelines by the HEW appear in the 9/27/77 Federal Register, and a front-page, lead-in article appears in the 10/7/77 Washington Post under the heading "Life Forms Can Be Patented" as a result of the CCPA 3 to 2 split in In re Bergy et al. (10/6/77).

Enlarging Jurisdiction Of U.S. Magistrates: See the "Magistrate Act of 1977" in H.R.7493 and S.1613, to expand the role of U.S. magistrates in civil and criminal cases. On the civil side, the proposed legislation which has ABA support, would permit magistrates, with the consent of the parties, to try any jury or non-jury case regardless of the issue or amount of money or property involved. The pertinent language states that, "Notwithstanding any provision of law to the contrary, when specifically designated to exercise such jurisdiction by the court or courts he serves, and under such conditions as may be imposed by the terms of the special designation, any United States magistrate shall have jurisdiction to review, hear, or otherwise determine with the consent of the parties any nonjury or jury civil matter." On its face, this should include the "patents, plant variety protection, copyrights and trademarks" referred to in 28 USC 1338.

Plant Variety Protection: The 10/28/77 issue of the Federal Register has a proposed rule under 7 CFR Part 180 to set forth the limits of reciprocity for Israeli nations for plant variety protection on sexually-reproduced plants in the United States.

USDA Patent Index Manual: The 10/4/77 Federal Register announces the availability of this Manual. It contains a list of Agriculture related Government inventions available for licensing. The Agricultural Research Service is charged with the responsibility for managing the patent licensing program for all agencies within the Department of Agriculture.

"Pass It On"

More About Government Patent Licensing: See the 10/4/77 Federal Register for Air Force regs announced to be consistent with GSA regs. Same as for Commerce regs in the 10/6/77 issue of the Federal Register.

Bricking Up The Antitrust Law: The 6/9/77 Supreme Court decision in Illinois Brick v. Illinois would allow only those parties dealing directly with an antitrust violator to recover damages. Kennedy S.1874 and Rodino H.R.8359 have been introduced to permit recovery by those injured, "in fact, directly or indirectly". For more information, see Mr. Kennedy's insert on page S19038 of the 11/15/77 Congressional Record.

Proposed Drug Legislation: This area is of continuing interest. Bills of patent and trademark-related interest include Mathias S.2179 and Murphy H.R.1963 to permit pharmacists to use generic drugs in the filling or refilling of prescriptions made by physicians; Javits S.2040 re the "Comprehensive Drug Amendments of 1977"; Rogers H.R.8891 to provide greater protection re public health & safety with respect to drugs; and Carter H.R.10041 re labeling of containers of prescription drugs.

Disputes Relating To Government Contracts: Packwood S.2292 was introduced on 11/3/77 to provide for the resolution of claims and disputes relating to Government contracts. Congressman Fisher introduced a companion Bill H.R.9975, and inserted the following statement on page #6870 of the 11/4/77 Congressional Record: "...Earlier this year I (i.e., Mr. Fisher) sponsored H.R.4713 (which although similar to a Bill introduced by Congressman Harris) differs (with Harris) ...(However,) in order to develop a consensus Bill which could serve as a basis for Subcommittee hearings, the Government Contract & Litigation Division of the DC Bar and the Public Contracts Section of the ABA agreed on a compromise between the Harris Bill and my own...(Accordingly, the four major provisions not originally in H.R.4713 are) First, a statement of Congressional policy to have settlement conferences at various administrative levels in accordance with regulations to be established by the OFPP; Two, permission for Contractors to proceed to Court directly following an adverse ruling by an officer with the Administrative Contracts Appeals Board; Three, expansion of the jurisdiction of the Court of Claims; and Four, liberalization of the provision which grants Contractors payment of interest on claims eventually allowed by Board of Contract Appeals."

Franchisors & Franchisees: Congressman Mikva continues to be active in this legislative area. On 9/23/77, Senator McIntyre introduced S.2135 which, in the words of his introductory insert, "would provide definitions to the franchise arrangement and would require franchisors to notify frachisees of any election to terminate or failure to renew a franchise relationship. Termination and failure to renew a franchise would be allowed only for those reasons specified in the legislation and the franchisor would be required to compensate a franchisee if a failure to renew is for other than good cause. The Bill, in addition to requiring reasonable notice to franchisees possible cancellation or termination of the franchise relationship, would establish legal and equitable relief for arbitrary acts by franchisors. The legislation would also encourage the use of arbitration as a means of settling disputes. Most importantly, the Bill would require franchisors to treat all franchisees equally and thus eliminate discrimination in charges for royalties, goods, services, and other business dealings on the part of the franchisors."

Copyright Royalty Tribunal: Confirming an earlier report in the Legislative Letter, the President announced the following persons for Commissioners of the

Copyright Royalty Tribunal: Thomas Brennan for 7 years; same re Douglas Coulter; same re Mary Lou Burg; and 5 years each for Clarence James and Frances Garcia.

Attorneys' Fees Bill: Refer to Bills H.R.3361 & H.R.8798, and S.270, which are a measure collectively to encourage greater public participation in Federal agency proceedings by awarding attorneys' fees and other costs of participation to qualified parties. On 11/16&17/77, the Kastenmeier Subcommittee held hearings on H.R.552 and H.R.913 to provide in civil actions, where the U.S. is a plaintiff, that a prevailing defendant may recover a reasonable attorney's fee and other reasonable litigation costs.

News Re CLE In Virginia: The Supreme Court of Virginia recently disapproved a petition of the Virginia State Bar Council requesting the adoption of a mandatory continuing legal education rule. Accordingly, there will be no mandatory CLE in Virginia.

Sunset Legislation: A recent report suggests that the Congress may move on a "Sunset" Bill which would put time limits on laws & regulations in order to phase them out if Congress were not to authorize their continuations. As of the three Bills in the hopper (i.e., Muskie S.2, Biden S.1244, and a new Byrd-Ribbicoff-Percy draft proposal), the first two Bills feature cutoff dates for laws & regulations, while the 3rd proposal narrows the focus to Government regulations.

Mandatory Arbitration: Justice has sent to Congress proposed legislation to authorize a 3-year experiment with compulsory, non-binding arbitration for certain classes of Federal civil cases. This proposal, transmitted to Congress on 10/21/77, was introduced in the House on 10/27/77.

FTC Franchising Rules: Open hearings were held on 10/5/77 regarding recommendations by the Bureau of Consumer Protection to promulgate a Trade Regulation Rule on Disclosure Requirements and Prohibitions Concerning Franchising.

Invention Development Service Firms: Maryland House of Delegates Legislative Member Ward states in his 10/3/77 letter that the, "Attorney General (of Maryland) has proposed Administrative Rules on Invention Development Services which (are) necessary because of the limited guidance offered by the 4/77 law". The State of New Jersey has an act to promote technical innovation and new enterprise, creating an Office for Promoting Technical Innovation in the Division of Economic Development of the Department of Labor & Industry.

Other Legislative Items: Schmitt S.2267 would establish a National Science Policy Commission; Baldus H.R.9958 would authorize SBA to make certain grants; and H.R.9980 would regulate, prohibit unfair/deceptive practices in commerce. President Carter proposed an Executive Order on 11/18/77 to improve Government regulations.

Government Procurement Regs & New Copyright Law: A proposed ASPR revision is the precursor in this area for changes that are due to be made to Government procurement regs because of the New Copyright Law.

P&TO Organization: Page 44832 of the 9/7/77 Federal Register contains recent P&TO organization & function changes.

Something To Think About: The New Copyright Law speaks to copyright in unpublished works. Question: What is the copyright law status of an "original work of authorship" in a patent application specification after the patent issues?

"Pass It On"

WIPO PCT Press Release: "The date from which international applications under the PCT may be filed will be fixed in 4/78 by the Assembly of the States party to the PCT. That date is expected to be 6/1/78, a date which has also been chosen by the European Patent Organisation as the one from which patent applications may be filed under the European Patent Convention.

"Under the PCT, U.S. citizens and residents may file an international patent application with the U.S. P&TO in Washington. The effect of the international application is the same as if national applications had been concurrently filed with the national Patent Offices (including the European Patent Office) of those countries party to the PCT which the applicant designates. The international application is then subjected to a search of the prior art by the U.S. P&TO, and the applicant is placed in a position in which he can decide, on the basis of the international search report, whether it is worth while to pursue his application in the various countries he has designated. National procedures in such countries are delayed until 20 months after the priority date unless the applicant asks for an earlier start.

"An international application may be a first application or it may be a subsequent application invoking the priority of an application previously filed with the national office of a country party to the Paris Convention or with the European Patent Office. Where protection is sought in any country party to both the PCT and the European Patent Convention, the applicant may seek protection under the national law of that country or under the European Patent Convention. The amount of the fees due under the PCT will be fixed in 4/78.

"The countries which will be party to the PCT by 6/1/78, will include the Federal Republic of Germany, Switzerland, the United Kingdom and the United States of America, and probably several other highly industrialized countries such as France and the Soviet Union. About 20 countries are expected to be party to the PCT by 6/1/78. Japan is expected to join later in 1978."

Legal Protection Of Computer Software: CONTU commissioned Harbridge House, Inc., to conduct an industrial survey regarding protection of software. The report was published this month, and states the following in the Summary of Findings: "...(The typical company in the survey is) independently owned and is less than 10 years old. It has fewer than 100 employees, annual sales of under $5 million and spends slightly under $100K per year on R&D.... Its principal markets are apt to be consulting, contract programming, the development of proprietary software packages and data center operations and management. (It) tends to specialize in specific products or service lines.... (This company) is not particularly concerned with the protection of the software that it develops or purchases and...may --just "may"-- take advantage of legal protection if it is offered, provided that it is simple, accessible and inexpensive. The absence of legal protection, however, will not in any way deter it from developing or marketing new programs. These perceptions are likely to change as the company gets larger, particularly if it is involved in general business and systems software programs. Indeed, a large company which develops business programs on a proprietary basis, or for the management of a facility, is likely to support legal protection with some degree of enthusiasm. ...The more engineering and technically oriented the company's programming, the more prepared it is to rely upon the uniqueness of its product and its skills for protection-to the extent that it is conscious of protection at all. Conversely, the more generalized its applications or systems programming, the more sensitive it is to the need for protection. But these are shadings at the extremities: the singular outstanding conclusion of the survey is that for the most part the issue of legal protection through a grant of limited monopoly is a matter of monumental insignificance to the industry."