

Union Calendar No. 423

104TH CONGRESS
2^D SESSION

H. R. 3460

[Report No. 104-784]

A BILL

To establish the Patent and Trademark Office as
a Government corporation, and for other purposes.

SEPTEMBER 12, 1996

Reported with an amendment, committed to the Com-
mittee of the Whole House on the State of the Union,
and ordered to be printed

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To establish the Patent and Trademark Office as a Government corporation,
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IN THE HOUSE OF REPRESENTATIVES

MAY 15, 1996

Mr. MOORHEAD (for himself, Mrs. SCHROEDER, Mr. CONYERS, Mr. SENSENBRENNER, Mr. COBLE, Mr. GOODLATTE, Mr. BERMAN, Mr. BOUCHER, Mr. GALLEGLY, Mr. HOKE, Mr. NADLER, and Ms. LOFGREN) introduced the following bill; which was referred to the Committee on the Judiciary

SEPTEMBER 12, 1996

Additional sponsors: Ms. SLAUGHTER, Mr. HEINEMAN, Mr. GEKAS, Mr. FROST, Mr. DREIER, Mr. HYDE, Mr. JOHNSTON of Florida, Mr. McHALE, Mr. LAHOOD, and Mr. PICKETT

SEPTEMBER 12, 1996

Reported with an amendment, committed to the Committee of the Whole
House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on May 15, 1996]

A BILL

To establish the Patent and Trademark Office as a
Government corporation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 *This Act may be cited as the “Moorhead-Schroeder*
 5 *Patent Reform Act”.*

6 **SEC. 2. TABLE OF CONTENTS.**

Sec. 1. Short title.

Sec. 2. Table of contents.

**TITLE I—PATENT AND TRADEMARK OFFICE GOVERNMENT
CORPORATION**

Sec. 101. Short title.

Subtitle A—United States Patent and Trademark Office

Sec. 111. Establishment of Patent and Trademark Office as a Government cor-
poration.

Sec. 112. Powers and duties.

Sec. 113. Organization and management.

Sec. 114. Management Advisory Board.

Sec. 115. Conforming amendments.

Sec. 116. Trademark Trial and Appeal Board.

Sec. 117. Board of Patent Appeals and Interferences.

Sec. 118. Suits by and against the Office.

Sec. 119. Annual report of Commissioner.

Sec. 120. Suspension or exclusion from practice.

Sec. 121. Funding.

Sec. 122. Audits.

Sec. 123. Transfers.

Subtitle B—Effective Date; Technical Amendments

Sec. 131. Effective date.

Sec. 132. Technical and conforming amendments.

Subtitle C—Miscellaneous Provisions

Sec. 141. References.

Sec. 142. Exercise of authorities.

Sec. 143. Savings provisions.

Sec. 144. Transfer of assets.

Sec. 145. Delegation and assignment.

Sec. 146. Authority of Director of the Office of Management and Budget with re-
spect to functions transferred.

Sec. 147. Certain vesting of functions considered transfers.

Sec. 148. Availability of existing funds.

Sec. 149. Definitions.

TITLE II—EARLY PUBLICATION OF PATENT APPLICATIONS

- Sec. 201. Short title.*
Sec. 202. Early publication.
Sec. 203. Time for claiming benefit of earlier filing date.
Sec. 204. Provisional rights.
Sec. 205. Prior art effect of published applications.
Sec. 206. Cost recovery for publication.
Sec. 207. Conforming changes.
Sec. 208. Patent term extension authority.
Sec. 209. Examining procedure improvements; further limited reexamination of patent applications.
Sec. 210. Last day of pendency of provisional application.
Sec. 211. Reporting requirement.
Sec. 212. Effective date.

TITLE III—PRIOR DOMESTIC COMMERCIAL USE

- Sec. 301. Short title.*
Sec. 302. Defense to patent infringement based on prior domestic commercial use.
Sec. 303. Effective date and applicability.

TITLE IV—INVENTOR PROTECTION

- Sec. 401. Short title.*
Sec. 402. Invention development services.
Sec. 403. Technical and conforming amendment.
Sec. 404. Effective date.

TITLE V—PATENT REEXAMINATION REFORM

- Sec. 501. Short title.*
Sec. 502. Definitions.
Sec. 503. Reexamination procedures.
Sec. 504. Conforming amendments.
Sec. 505. Effective date.

TITLE VI—MISCELLANEOUS PATENT PROVISIONS

- Sec. 601. Provisional applications.*
Sec. 602. International applications.
Sec. 603. Plant patents.
Sec. 604. Just compensation for United States Government use of patents.
Sec. 605. Electronic filing.

1 **TITLE I—PATENT AND TRADE-**
 2 **MARK OFFICE GOVERNMENT**
 3 **CORPORATION**

4 **SEC. 101. SHORT TITLE.**

- 5 *This title may be cited as the “Patent and Trademark*
 6 *Office Government Corporation Act of 1996”.*

1 ***Subtitle A—United States Patent***
2 ***and Trademark Office***

3 ***SEC. 111. ESTABLISHMENT OF PATENT AND TRADEMARK***
4 ***OFFICE AS A GOVERNMENT CORPORATION.***

5 *Section 1 of title 35, United States Code, is amended*
6 *to read as follows:*

7 ***“§ 1. Establishment***

8 *“(a) ESTABLISHMENT.—The United States Patent and*
9 *Trademark Office is established as a wholly owned Govern-*
10 *ment corporation subject to chapter 91 of title 31, and shall*
11 *be an agency of the United States under the policy direction*
12 *of the Secretary of Commerce, except as otherwise provided*
13 *in this title. For purposes of internal management, the*
14 *United States Patent and Trademark Office shall be a cor-*
15 *porate body not subject to supervision by any department,*
16 *except as otherwise provided in this title.*

17 *“(b) OFFICES.—The United States Patent and Trade-*
18 *mark Office shall maintain an office in the District of Co-*
19 *lumbia, or the metropolitan area thereof, for the service of*
20 *process and papers and shall be deemed, for purposes of*
21 *venue in civil actions, to be a resident of the district in*
22 *which its principal office is located. The United States Pat-*
23 *ent and Trademark Office may establish offices in such*
24 *other places as it considers necessary or appropriate in the*
25 *conduct of its business.*

1 “(c) *REFERENCE.*—For purposes of this title, the
2 *United States Patent and Trademark Office* shall also be
3 referred to as the ‘Office’ and the ‘Patent and Trademark
4 *Office*’.”.

5 **SEC. 112. POWERS AND DUTIES.**

6 Section 2 of title 35, *United States Code*, is amended
7 to read as follows:

8 **“§2. Powers and Duties**

9 “(a) *IN GENERAL.*—The *United States Patent and*
10 *Trademark Office* shall be responsible for—

11 “(1) the granting and issuing of patents and the
12 registration of trademarks;

13 “(2) conducting studies, programs, or exchanges
14 of items or services regarding domestic and inter-
15 national patent and trademark law, the administra-
16 tion of the Office, or any other function vested in the
17 Office by law, including programs to recognize, iden-
18 tify, assess, and forecast the technology of patented in-
19 ventions and their utility to industry;

20 “(3)(A) authorizing or conducting studies and
21 programs cooperatively with foreign patent and
22 trademark offices and international organizations, in
23 connection with the granting and issuing of patents
24 and the registration of trademarks; and

1 “(B) with the concurrence of the Secretary of
2 State, authorizing the transfer of not to exceed
3 \$100,000 in any year to the Department of State for
4 the purpose of making special payments to inter-
5 national intergovernmental organizations for studies
6 and programs for advancing international coopera-
7 tion concerning patents, trademarks, and related mat-
8 ters; and

9 “(4) disseminating to the public information
10 with respect to patents and trademarks.

11 *The special payments under paragraph (3)(B) shall be in*
12 *addition to any other payments or contributions to inter-*
13 *national organizations described in paragraph (3)(B) and*
14 *shall not be subject to any limitations imposed by law on*
15 *the amounts of such other payments or contributions by the*
16 *United States Government.*

17 “(b) *SPECIFIC POWERS.—The Office—*

18 “(1) *shall have perpetual succession;*

19 “(2) *shall adopt and use a corporate seal, which*
20 *shall be judicially noticed and with which letters pat-*
21 *ent, certificates of trademark registrations, and pa-*
22 *pers issued by the Office shall be authenticated;*

23 “(3) *may sue and be sued in its corporate name*
24 *and be represented by its own attorneys in all judi-*

1 *cial and administrative proceedings, subject to the*
2 *provisions of section 7;*

3 *“(4) may indemnify the Commissioner of Pat-*
4 *ents and Trademarks, and other officers, attorneys,*
5 *agents, and employees (including members of the*
6 *Management Advisory Board established in section 5)*
7 *of the Office for liabilities and expenses incurred*
8 *within the scope of their employment;*

9 *“(5) may adopt, amend, and repeal bylaws,*
10 *rules, regulations, and determinations, which—*

11 *“(A) shall govern the manner in which its*
12 *business will be conducted and the powers grant-*
13 *ed to it by law will be exercised;*

14 *“(B) shall be made after notice and oppor-*
15 *tunity for full participation by interested public*
16 *and private parties;*

17 *“(C) shall facilitate and expedite the proc-*
18 *essing of patent applications, particularly those*
19 *which can be filed, stored, processed, searched,*
20 *and retrieved electronically, subject to the provi-*
21 *sions of section 122 relating to the confidential*
22 *status of applications; and*

23 *“(D) may govern the recognition and con-*
24 *duct of agents, attorneys, or other persons rep-*
25 *resenting applicants or other parties before the*

1 *Office, and may require them, before being recog-*
2 *nized as representatives of applicants or other*
3 *persons, to show that they are of good moral*
4 *character and reputation and are possessed of*
5 *the necessary qualifications to render to appli-*
6 *cants or other persons valuable service, advice,*
7 *and assistance in the presentation or prosecution*
8 *of their applications or other business before the*
9 *Office;*

10 *“(6) may acquire, construct, purchase, lease,*
11 *hold, manage, operate, improve, alter, and renovate*
12 *any real, personal, or mixed property, or any interest*
13 *therein, as it considers necessary to carry out its*
14 *functions;*

15 *“(7)(A) may make such purchases, contracts for*
16 *the construction, maintenance, or management and*
17 *operation of facilities, and contracts for supplies or*
18 *services, without regard to the provisions of the Fed-*
19 *eral Property and Administrative Services Act of*
20 *1949 (40 U.S.C. 471 and following), the Public*
21 *Buildings Act (40 U.S.C. 601 and following), and the*
22 *Stewart B. McKinney Homeless Assistance Act (42*
23 *U.S.C. 11301 and following); and*

24 *“(B) may enter into and perform such purchases*
25 *and contracts for printing services, including the*

1 *process of composition, platemaking, presswork, silk*
2 *screen processes, binding, microform, and the products*
3 *of such processes, as it considers necessary to carry*
4 *out the functions of the Office, without regard to sec-*
5 *tions 501 through 517 and 1101 through 1123 of title*
6 *44;*

7 *“(8) may use, with their consent, services, equip-*
8 *ment, personnel, and facilities of other departments,*
9 *agencies, and instrumentalities of the Federal Govern-*
10 *ment, on a reimbursable basis, and cooperate with*
11 *such other departments, agencies, and instrumental-*
12 *ities in the establishment and use of services, equip-*
13 *ment, and facilities of the Office;*

14 *“(9) may obtain from the Administrator of Gen-*
15 *eral Services such services as the Administrator is au-*
16 *thorized to provide to other agencies of the United*
17 *States, on the same basis as those services are pro-*
18 *vided to other agencies of the United States;*

19 *“(10) may use, with the consent of the United*
20 *States and the agency, government, or international*
21 *organization concerned, the services, records, facilities,*
22 *or personnel of any State or local government agency*
23 *or instrumentality or foreign government or inter-*
24 *national organization to perform functions on its be-*
25 *half;*

1 “(11) may determine the character of and the ne-
2 cessity for its obligations and expenditures and the
3 manner in which they shall be incurred, allowed, and
4 paid, subject to the provisions of this title and the Act
5 of July 5, 1946 (commonly referred to as the ‘Trade-
6 mark Act of 1946’);

7 “(12) may retain and use all of its revenues and
8 receipts, including revenues from the sale, lease, or
9 disposal of any real, personal, or mixed property, or
10 any interest therein, of the Office, including for re-
11 search and development and capital investment, sub-
12 ject to the provisions of section 10101 of the Omnibus
13 Budget Reconciliation Act of 1990 (35 U.S.C. 41
14 note);

15 “(13) shall have the priority of the United States
16 with respect to the payment of debts from bankrupt,
17 insolvent, and decedents’ estates;

18 “(14) may accept monetary gifts or donations of
19 services, or of real, personal, or mixed property, in
20 order to carry out the functions of the Office;

21 “(15) may execute, in accordance with its by-
22 laws, rules, and regulations, all instruments necessary
23 and appropriate in the exercise of any of its powers;

24 “(16) may provide for liability insurance and
25 insurance against any loss in connection with its

1 *property, other assets, or operations either by contract*
2 *or by self-insurance; and*

3 “(17) shall pay any settlement or judgment en-
4 *tered against it from the funds of the Office and not*
5 *from amounts available under section 1304 of title*
6 *31.”.*

7 **SEC. 113. ORGANIZATION AND MANAGEMENT.**

8 *Section 3 of title 35, United States Code, is amended*
9 *to read as follows:*

10 **“§3. Officers and employees**

11 “(a) COMMISSIONER.—

12 “(1) IN GENERAL.—*The management of the*
13 *United States Patent and Trademark Office shall be*
14 *vested in a Commissioner of Patents and Trademarks*
15 *(hereafter in this title referred to as the ‘Commis-*
16 *sioner’), who shall be a citizen of the United States*
17 *and who shall be appointed by the President, by and*
18 *with the advice and consent of the Senate. The Com-*
19 *missioner shall be a person who, by reason of profes-*
20 *sional background and experience in patent or trade-*
21 *mark law, is especially qualified to manage the Of-*
22 *fice.*

23 “(2) DUTIES.—

24 “(A) IN GENERAL.—*The Commissioner shall*
25 *be responsible for the management and direction*

1 *of the Office, including the issuance of patents*
2 *and the registration of trademarks, and shall*
3 *perform these duties in a fair, impartial, and*
4 *equitable manner.*

5 “(B) *ADVISING THE PRESIDENT.*—*The*
6 *Commissioner shall advise the President, through*
7 *the Secretary of Commerce, of all activities of the*
8 *Office undertaken in response to obligations of*
9 *the United States under treaties and executive*
10 *agreements, or which relate to cooperative pro-*
11 *grams with those authorities of foreign govern-*
12 *ments that are responsible for granting patents*
13 *or registering trademarks. The Commissioner*
14 *shall also recommend to the President, through*
15 *the Secretary of Commerce, changes in law or*
16 *policy which may improve the ability of United*
17 *States citizens to secure and enforce patent*
18 *rights or trademark rights in the United States*
19 *or in foreign countries.*

20 “(C) *CONSULTING WITH THE MANAGEMENT*
21 *ADVISORY BOARD.*—*The Commissioner shall con-*
22 *sult with the Management Advisory Board estab-*
23 *lished in section 5 on a regular basis on matters*
24 *relating to the operation of the Office, and shall*
25 *consult with the Board before submitting budg-*

1 *etary proposals to the Office of Management and*
2 *Budget or changing or proposing to change pat-*
3 *ent or trademark user fees or patent or trade-*
4 *mark regulations.*

5 *“(D) SECURITY CLEARANCES.—The Com-*
6 *missioner, in consultation with the Director of*
7 *the Office of Personnel Management, shall main-*
8 *tain a program for identifying national security*
9 *positions and providing for appropriate security*
10 *clearances.*

11 *“(3) TERM.—The Commissioner shall serve a*
12 *term of 5 years, and may continue to serve after the*
13 *expiration of the Commissioner’s term until a suc-*
14 *cessor is appointed and assumes office. The Commis-*
15 *sioner may be reappointed to subsequent terms.*

16 *“(4) OATH.—The Commissioner shall, before tak-*
17 *ing office, take an oath to discharge faithfully the du-*
18 *ties of the Office.*

19 *“(5) COMPENSATION.—The Commissioner shall*
20 *receive compensation at the rate of pay in effect for*
21 *level II of the Executive Schedule under section 5313*
22 *of title 5.*

23 *“(6) REMOVAL.—The Commissioner may be re-*
24 *moved from office by the President only for cause.*

1 “(7) *DESIGNEE OF COMMISSIONER.*—*The Com-*
2 *missioner shall designate an officer of the Office who*
3 *shall be vested with the authority to act in the capac-*
4 *ity of the Commissioner in the event of the absence or*
5 *incapacity of the Commissioner.*

6 “(b) *OFFICERS AND EMPLOYEES OF THE OFFICE.*—

7 “(1) *DEPUTY COMMISSIONERS.*—*The Commis-*
8 *sioner shall appoint a Deputy Commissioner for Pat-*
9 *ents and a Deputy Commissioner for Trademarks for*
10 *terms that shall expire on the date on which the Com-*
11 *missioner’s term expires. The Deputy Commissioner*
12 *for Patents shall be a person with demonstrated expe-*
13 *rience in patent law and the Deputy Commissioner*
14 *for Trademarks shall be a person with demonstrated*
15 *experience in trademark law. The Deputy Commis-*
16 *sioner for Patents and the Deputy Commissioner for*
17 *Trademarks shall be the principal policy and man-*
18 *agement advisors to the Commissioner on all aspects*
19 *of the activities of the Office that affect the adminis-*
20 *tration of patent and trademark operations, respec-*
21 *tively.*

22 “(2) *OTHER OFFICERS AND EMPLOYEES.*—*The*
23 *Commissioner shall—*

24 “(A) *appoint an Inspector General and*
25 *such other officers, employees (including attor-*

1 neys), and agents of the Office as the Commis-
2 sioner considers necessary to carry out its func-
3 tions;

4 “(B) fix the compensation of such officers
5 and employees, except as otherwise provided in
6 this section; and

7 “(C) define the authority and duties of such
8 officers and employees and delegate to them such
9 of the powers vested in the Office as the Commis-
10 sioner may determine.

11 *The Office shall not be subject to any administra-*
12 *tively or statutorily imposed limitation on positions*
13 *or personnel, and no positions or personnel of the Of-*
14 *ice shall be taken into account for purposes of apply-*
15 *ing any such limitation.*

16 “(c) *LIMITS ON COMPENSATION.—Except as otherwise*
17 *provided by law, the annual rate of basic pay of an officer*
18 *or employee of the Office may not be fixed at a rate that*
19 *exceeds, and total compensation payable to any such officer*
20 *or employee for any year may not exceed, the annual rate*
21 *of basic pay in effect for the Commissioner for the year in-*
22 *volved. The Commissioner shall prescribe such regulations*
23 *as may be necessary to carry out this subsection.*

24 “(d) *INAPPLICABILITY OF TITLE 5 GENERALLY.—Ex-*
25 *cept as otherwise provided in this section, officers and em-*

1 *ployees of the Office shall not be subject to the provisions*
2 *of title 5 relating to Federal employees.*

3 “(e) *CONTINUED APPLICABILITY OF CERTAIN PROVI-*
4 *SION OF TITLE 5.—*

5 “(1) *IN GENERAL.—The following provisions of*
6 *title 5 shall apply to the Office and its officers and*
7 *employees:*

8 “(A) *Section 3110 (relating to employment*
9 *of relatives; restrictions).*

10 “(B) *Subchapter II of chapter 55 (relating*
11 *to withholding pay).*

12 “(C) *Subchapters II and III of chapter 73*
13 *(relating to employment limitations and polit-*
14 *ical activities, respectively).*

15 “(D) *Chapter 71 (relating to labor-manage-*
16 *ment relations), subject to paragraph (2) and*
17 *subsection (g).*

18 “(E) *Section 3303 (relating to political rec-*
19 *ommendations).*

20 “(F) *Subchapter II of chapter 61 (relating*
21 *to flexible and compressed work schedules).*

22 “(2) *COMPENSATION SUBJECT TO COLLECTIVE*
23 *BARGAINING.—*

24 “(A) *IN GENERAL.—Notwithstanding any*
25 *other provision of law, for purposes of applying*

1 *chapter 71 of title 5 pursuant to paragraph*
2 *(1)(D), basic pay and other forms of compensa-*
3 *tion shall be considered to be among the matters*
4 *as to which the duty to bargain in good faith*
5 *extends under such chapter.*

6 “(B) *EXCEPTIONS.*—*The duty to bargain in*
7 *good faith shall not, by reason of subparagraph*
8 *(A), be considered to extend to any benefit under*
9 *title 5 which is afforded by paragraph (1), (2),*
10 *(3), or (4) of subsection (f).*

11 “(C) *LIMITATIONS APPLY.*—*Nothing in this*
12 *subsection shall be considered to allow any limi-*
13 *tation under subsection (c) to be exceeded.*

14 “(f) *PROVISIONS OF TITLE 5 THAT CONTINUE TO*
15 *APPLY, SUBJECT TO CERTAIN REQUIREMENTS.*—

16 “(1) *RETIREMENT.*—(A) *The provisions of sub-*
17 *chapter III of chapter 83 and chapter 84 of title 5*
18 *shall apply to the Office and its officers and employ-*
19 *ees, subject to subparagraph (B).*

20 “(B)(i) *The amount required of the Office under*
21 *the second sentence of section 8334(a)(1) of title 5*
22 *with respect to any particular individual shall, in-*
23 *stead of the amount which would otherwise apply, be*
24 *equal to the normal-cost percentage (determined with*
25 *respect to officers and employees of the Office using*

1 *dynamic assumptions, as defined by section 8401(9)*
2 *of such title) of the individual’s basic pay, minus the*
3 *amount required to be withheld from such pay under*
4 *such section 8334(a)(1).*

5 *“(ii) The amount required of the Office under*
6 *section 8334(k)(1)(B) of title 5 with respect to any*
7 *particular individual shall be equal to an amount*
8 *computed in a manner similar to that specified in*
9 *clause (i), as determined in accordance with clause*
10 *(iii).*

11 *“(iii) Any regulations necessary to carry out this*
12 *subparagraph shall be prescribed by the Office of Per-*
13 *sonnel Management.*

14 *“(C) The United States Patent and Trademark*
15 *Office may supplement the benefits provided under*
16 *the preceding provisions of this paragraph.*

17 *“(2) HEALTH BENEFITS.—(A) The provisions of*
18 *chapter 89 of title 5 shall apply to the Office and its*
19 *officers and employees, subject to subparagraph (B).*

20 *“(B)(i) With respect to any individual who be-*
21 *comes an officer or employee of the Office pursuant to*
22 *subsection (h), the eligibility of such individual to*
23 *participate in such program as an annuitant (or of*
24 *any other person to participate in such program as*
25 *an annuitant based on the death of such individual)*

1 shall be determined by disregarding the requirements
2 of section 8905(b) of title 5. The preceding sentence
3 shall not apply if the individual ceases to be an offi-
4 cer or employee of the Office for any period of time
5 after becoming an officer or employee of the Office
6 pursuant to subsection (h) and before separation.

7 “(ii) The Government contributions authorized
8 by section 8906 for health benefits for anyone partici-
9 pating in the health benefits program pursuant to
10 this subparagraph shall be made by the Office in the
11 same manner as provided under section 8906(g)(2) of
12 title 5 with respect to the United States Postal Serv-
13 ice for individuals associated therewith.

14 “(iii) For purposes of this subparagraph, the
15 term ‘annuitant’ has the meaning given such term by
16 section 8901(3) of title 5.

17 “(C) The Office may supplement the benefits pro-
18 vided under the preceding provisions of this para-
19 graph.

20 “(3) LIFE INSURANCE.—(A) The provisions of
21 chapter 87 of title 5 shall apply to the Office and its
22 officers and employees, subject to subparagraph (B).

23 “(B)(i) Eligibility for life insurance coverage
24 after retirement or while in receipt of compensation
25 under subchapter I of chapter 81 of title 5 shall be

1 *determined, in the case of any individual who be-*
2 *comes an officer or employee of the Office pursuant to*
3 *subsection (h), without regard to the requirements of*
4 *section 8706(b) (1) or (2), but subject to the condition*
5 *specified in the last sentence of paragraph (2)(B)(i)*
6 *of this subsection.*

7 *“(ii) Government contributions under section*
8 *8708(d) on behalf of any such individual shall be*
9 *made by the Office in the same manner as provided*
10 *under paragraph (3) thereof with respect to the*
11 *United States Postal Service for individuals associ-*
12 *ated therewith.*

13 *“(C) The Office may supplement the benefits pro-*
14 *vided under the preceding provisions of this para-*
15 *graph.*

16 *“(4) EMPLOYEES’ COMPENSATION FUND.—(A)*
17 *Officers and employees of the Office shall not become*
18 *ineligible to participate in the program under chapter*
19 *81 of title 5, relating to compensation for work inju-*
20 *ries, by reason of subsection (d).*

21 *“(B) The Office shall remain responsible for re-*
22 *imbursing the Employees’ Compensation Fund, pur-*
23 *suant to section 8147 of title 5, for compensation paid*
24 *or payable after the effective date of the Patent and*
25 *Trademark Office Government Corporation Act of*

1 1996 in accordance with chapter 81 of title 5 with re-
2 gard to any injury, disability, or death due to events
3 arising before such date, whether or not a claim has
4 been filed or is final on such date.

5 “(g) *LABOR-MANAGEMENT RELATIONS.*—

6 “(1) *LABOR RELATIONS AND EMPLOYEE RELA-*
7 *TIONS PROGRAMS.*—The Office shall develop labor re-
8 lations and employee relations programs with the ob-
9 jective of improving productivity and efficiency, in-
10 corporating the following principles:

11 “(A) Such programs shall be consistent with
12 the merit principles in section 2301(b) of title 5.

13 “(B) Such programs shall provide veterans
14 preference protections equivalent to those estab-
15 lished by sections 2108, 3308–3318, and 3320 of
16 title 5.

17 “(C)(i) The right to work shall not be sub-
18 ject to undue restraint or coercion. The right to
19 work shall not be infringed or restricted in any
20 way based on membership in, affiliation with, or
21 financial support of a labor organization.

22 “(ii) No person shall be required, as a con-
23 dition of employment or continuation of
24 employment—

1 “(I) to resign or refrain from
2 voluntary membership in, voluntary affili-
3 ation with, or voluntary financial support
4 of a labor organization;

5 “(II) to become or remain a member of
6 a labor organization;

7 “(III) to pay any dues, fees, assess-
8 ments, or other charges of any kind or
9 amount to a labor organization;

10 “(IV) to pay to any charity or other
11 third party, in lieu of such payments, any
12 amount equivalent to or a pro-rata portion
13 of dues, fees, assessments, or other charges
14 regularly required of members of a labor or-
15 ganization; or

16 “(V) to be recommended, approved, re-
17 ferred, or cleared by or through a labor or-
18 ganization.

19 “(iii) This subparagraph shall not apply to
20 a person described in section 7103(a)(2)(v) of
21 title 5 or a ‘supervisor’, ‘management official’, or
22 ‘confidential employee’ as those terms are defined
23 in 7103(a) (10), (11), and (13) of such title.

24 “(iv) Any labor organization recognized by
25 the Office as the exclusive representative of a

1 *unit of employees of the Office shall represent the*
2 *interests of all employees in that unit without*
3 *discrimination and without regard to labor orga-*
4 *nization membership.*

5 “(2) *ADOPTION OF EXISTING LABOR AGREE-*
6 *MENTS.—The Office shall adopt all labor agreements*
7 *which are in effect, as of the day before the effective*
8 *date of the Patent and Trademark Office Government*
9 *Corporation Act of 1996, with respect to such Office*
10 *(as then in effect).*

11 “(h) *CARRYOVER OF PERSONNEL.—*

12 “(1) *FROM PTO.—Effective as of the effective*
13 *date of the Patent and Trademark Office Government*
14 *Corporation Act of 1996, all officers and employees of*
15 *the Patent and Trademark Office on the day before*
16 *such effective date shall become officers and employees*
17 *of the Office, without a break in service.*

18 “(2) *OTHER PERSONNEL.—Any individual who,*
19 *on the day before the effective date of the Patent and*
20 *Trademark Office Government Corporation Act of*
21 *1996, is an officer or employee of the Department of*
22 *Commerce (other than an officer or employee under*
23 *paragraph (1)) shall be transferred to the Office if—*

24 “(A) *such individual serves in a position*
25 *for which a major function is the performance of*

1 *work reimbursed by the Patent and Trademark*
2 *Office, as determined by the Secretary of Com-*
3 *merce;*

4 “(B) *such individual serves in a position*
5 *that performed work in support of the Patent*
6 *and Trademark Office during at least half of the*
7 *incumbent’s work time, as determined by the*
8 *Secretary of Commerce; or*

9 “(C) *such transfer would be in the interest*
10 *of the Office, as determined by the Secretary of*
11 *Commerce in consultation with the Commis-*
12 *sioner of Patents and Trademarks.*

13 *Any transfer under this paragraph shall be effective*
14 *as of the same effective date as referred to in para-*
15 *graph (1), and shall be made without a break in serv-*
16 *ice.*

17 “(3) *ACCUMULATED LEAVE.*—*The amount of sick*
18 *and annual leave and compensatory time accumu-*
19 *lated under title 5 before the effective date described*
20 *in paragraph (1), by those becoming officers or em-*
21 *ployees of the Office pursuant to this subsection, are*
22 *obligations of the Office.*

23 “(4) *TERMINATION RIGHTS.*—*Any employee re-*
24 *ferred to in paragraph (1) or (2) of this subsection*
25 *whose employment with the Office is terminated dur-*

1 *ing the 2-year period beginning on the effective date*
2 *of the Patent and Trademark Office Government Cor-*
3 *poration Act of 1996 shall be entitled to rights and*
4 *benefits, to be afforded by the Office, similar to those*
5 *such employee would have had under Federal law if*
6 *termination had occurred immediately before such*
7 *date. An employee who would have been entitled to*
8 *appeal any such termination to the Merit Systems*
9 *Protection Board, if such termination had occurred*
10 *immediately before such effective date, may appeal*
11 *any such termination occurring within this 2-year*
12 *period to the Board under such procedures as it may*
13 *prescribe.*

14 *“(5) CONTINUATION IN OFFICE OF CERTAIN OFFI-*
15 *CERS.—(A) The individual serving as the Commis-*
16 *sioner of Patents and Trademarks on the day before*
17 *the effective date of the Patent and Trademark Office*
18 *Government Corporation Act of 1996 may serve as*
19 *the Commissioner until the date on which a Commis-*
20 *sioner is appointed under subsection (a).*

21 *“(B) The individual serving as the Assistant*
22 *Commissioner for Patents on the day before the effec-*
23 *tive date of the Patent and Trademark Office Govern-*
24 *ment Corporation Act of 1996 may serve as the Dep-*
25 *uty Commissioner for Patents until the date on which*

1 *a Deputy Commissioner for Patents is appointed*
2 *under subsection (b).*

3 “(C) *The individual serving as the Assistant*
4 *Commissioner for Trademarks on the day before the*
5 *effective date of the Patent and Trademark Office*
6 *Government Corporation Act of 1996 may serve as*
7 *the Deputy Commissioner for Trademarks until the*
8 *date on which a Deputy Commissioner for Trade-*
9 *marks is appointed under subsection (b).*

10 “(i) *COMPETITIVE STATUS.—For purposes of appoint-*
11 *ment to a position in the competitive service for which an*
12 *officer or employee of the Office is qualified, such officer*
13 *or employee shall not forfeit any competitive status, ac-*
14 *quired by such officer or employee before the effective date*
15 *of the Patent and Trademark Office Government Corpora-*
16 *tion Act of 1996, by reason of becoming an officer or em-*
17 *ployee of the Office pursuant to subsection (h).*

18 “(j) *SAVINGS PROVISIONS.—*

19 “(1) *IN GENERAL.—Compensation, benefits, and*
20 *other terms and conditions of employment in effect*
21 *immediately before the effective date of the Patent and*
22 *Trademark Office Government Corporation Act of*
23 *1996, whether provided by statute or by rules and*
24 *regulations of the former Patent and Trademark Of-*
25 *fice or the executive branch of the Government of the*

1 *United States, shall continue to apply to officers and*
2 *employees of the Office, until changed in accordance*
3 *with this section (whether by action of the Commis-*
4 *sioner or otherwise).*

5 “(2) *PROVISIONS SPECIFIC TO BASIC PAY.—With*
6 *respect to any individual who becomes an officer or*
7 *employee of the Office pursuant to subsection (h), the*
8 *rate of basic pay for such officer or employee may*
9 *not, on or after the effective date of the Patent and*
10 *Trademark Office Government Corporation Act of*
11 *1996, be less than the rate in effect immediately before*
12 *such effective date, except—*

13 “(A) *pursuant to a collective-bargaining*
14 *agreement entered into under this section; or*

15 “(B) *for inefficiency, neglect of duty, or*
16 *misconduct, on the part of such individual.*

17 *For purposes of this subparagraph, the term ‘basic*
18 *pay’ includes any amount considered to be part of*
19 *basic pay for purposes of subchapter III of chapter 83*
20 *or chapter 84 of title 5.*

21 “(k) *REMOVAL OF QUASI-JUDICIAL EXAMINERS.—The*
22 *Office may remove a patent examiner or examiner-in-chief,*
23 *or a trademark examiner or member of a Trademark Trial*
24 *and Appeal Board, only for such cause as will promote the*
25 *efficiency of the Office.”.*

1 **SEC. 114. MANAGEMENT ADVISORY BOARD.**

2 Chapter 1 of part I of title 35, United States Code,
3 is amended by inserting after section 4 the following:

4 **“§5. Patent and Trademark Office Management Advi-**
5 **sory Board**

6 “(a) *ESTABLISHMENT OF MANAGEMENT ADVISORY*
7 *BOARD.*—

8 “(1) *APPOINTMENT.*—*The United States Patent*
9 *and Trademark Office shall have a Management Ad-*
10 *visory Board (hereafter in this title referred to as the*
11 *‘Board’)* of 12 members, 4 of whom shall be appointed
12 by the President, 4 of whom shall be appointed by the
13 Speaker of the House of Representatives, and 4 of
14 whom shall be appointed by the President pro tem-
15 pore of the Senate. Not more than 3 of the 4 members
16 appointed by each appointing authority shall be
17 members of the same political party.

18 “(2) *TERMS.*—*Members of the Board shall be ap-*
19 *pointed for a term of 4 years each, except that of the*
20 *members first appointed by each appointing author-*
21 *ity, 1 shall be for a term of 1 year, 1 shall be for a*
22 *term of 2 years, and 1 shall be for a term of 3 years.*
23 *No member may serve more than 1 term.*

24 “(3) *CHAIR.*—*The President shall designate the*
25 *chair of the Board, whose term as chair shall be for*
26 *3 years.*

1 “(4) *TIMING OF APPOINTMENTS.*—*Initial ap-*
2 *pointments to the Board shall be made within 3*
3 *months after the effective date of the Patent and*
4 *Trademark Office Government Corporation Act of*
5 *1996, and vacancies shall be filled within 3 months*
6 *after they occur.*

7 “(5) *VACANCIES.*—*Vacancies shall be filled in the*
8 *manner in which the original appointment was made*
9 *under this subsection. Members appointed to fill a va-*
10 *cancy occurring before the expiration of the term for*
11 *which the member’s predecessor was appointed shall*
12 *be appointed only for the remainder of that term. A*
13 *member may serve after the expiration of that mem-*
14 *ber’s term until a successor is appointed.*

15 “(6) *COMMITTEES.*—*The Chair shall designate*
16 *members of the Board to serve on a committee on pat-*
17 *ent operations and on a committee on trademark op-*
18 *erations to perform the duties set forth in subsection*
19 *(e) as they relate specifically to the Office’s patent op-*
20 *erations, and the Office’s trademark operations, re-*
21 *spectively.*

22 “(b) *BASIS FOR APPOINTMENTS.*—*Members of the*
23 *Board shall be citizens of the United States who shall be*
24 *chosen so as to represent the interests of diverse users of*
25 *the United States Patent and Trademark Office, and shall*

1 *include individuals with substantial background and*
2 *achievement in corporate finance and management.*

3 “(c) *APPLICABILITY OF CERTAIN ETHICS LAWS.—*
4 *Members of the Board shall be special Government employ-*
5 *ees within the meaning of section 202 of title 18.*

6 “(d) *MEETINGS.—The Board shall meet at the call of*
7 *the chair to consider an agenda set by the chair.*

8 “(e) *DUTIES.—The Board shall—*

9 “(1) *review the policies, goals, performance,*
10 *budget, and user fees of the United States Patent and*
11 *Trademark Office, and advise the Commissioner on*
12 *these matters; and*

13 “(2) *within 60 days after the end of each fiscal*
14 *year, prepare an annual report on the matters re-*
15 *ferred to in paragraph (1), transmit the report to the*
16 *President and the Committees on the Judiciary of the*
17 *Senate and the House of Representatives, and publish*
18 *the report in the Patent and Trademark Office Offi-*
19 *cial Gazette.*

20 “(f) *COMPENSATION.—Members of the Board shall be*
21 *compensated for each day (including travel time) during*
22 *which they are attending meetings or conferences of the*
23 *Board or otherwise engaged in the business of the Board,*
24 *at the rate which is the daily equivalent of the annual rate*
25 *of basic pay in effect for level III of the Executive Schedule*

1 *under section 5314 of title 5, and while away from their*
2 *homes or regular places of business they may be allowed*
3 *travel expenses, including per diem in lieu of subsistence,*
4 *as authorized by section 5703 of title 5.*

5 “(g) *ACCESS TO INFORMATION.*—*Members of the Board*
6 *shall be provided access to records and information in the*
7 *United States Patent and Trademark Office, except for per-*
8 *sonnel or other privileged information and information con-*
9 *cerning patent applications required to be kept in con-*
10 *fidence by section 122.”.*

11 **SEC. 115. CONFORMING AMENDMENTS.**

12 (a) *DUTIES OF COMMISSIONER.*—*Chapter 1 of title 35,*
13 *United States Code, is amended by striking section 6.*

14 (b) *REGULATIONS FOR AGENTS AND ATTORNEYS.*—
15 *Section 31 of title 35, United States Code, and the item*
16 *relating to such section in the table of sections for chapter*
17 *3 of title 35, United States Code, are repealed.*

18 **SEC. 116. TRADEMARK TRIAL AND APPEAL BOARD.**

19 *Section 17 of the Act of July 5, 1946 (commonly re-*
20 *ferred to as the “Trademark Act of 1946”) (15 U.S.C. 1067)*
21 *is amended to read as follows:*

22 “*SEC. 17. (a) In every case of interference, opposition*
23 *to registration, application to register as a lawful concur-*
24 *rent user, or application to cancel the registration of a*
25 *mark, the Commissioner shall give notice to all parties and*

1 *shall direct a Trademark Trial and Appeal Board to deter-*
2 *mine and decide the respective rights of registration.*

3 “(b) *The Trademark Trial and Appeal Board shall in-*
4 *clude the Commissioner, the Deputy Commissioner for Pat-*
5 *ents, the Deputy Commissioner for Trademarks, and mem-*
6 *bers competent in trademark law who are appointed by the*
7 *Commissioner.*”.

8 **SEC. 117. BOARD OF PATENT APPEALS AND INTER-**
9 **FERENCES.**

10 *Chapter 1 of title 35, United States Code, is amended*
11 *by striking section 7 and inserting after section 5 the fol-*
12 *lowing:*

13 **“§ 6. Board of Patent Appeals and Interferences**

14 “(a) *ESTABLISHMENT AND COMPOSITION.—There shall*
15 *be in the United States Patent and Trademark Office a*
16 *Board of Patent Appeals and Interferences. The Commis-*
17 *sioner, the Deputy Commissioner for Patents, the Deputy*
18 *Commissioner for Trademarks, and the examiners-in-chief*
19 *shall constitute the Board. The examiners-in-chief shall be*
20 *persons of competent legal knowledge and scientific ability.*

21 “(b) *DUTIES.—The Board of Patent Appeals and*
22 *Interferences shall, on written appeal of an applicant, re-*
23 *view adverse decisions of examiners upon applications for*
24 *patents and shall determine priority and patentability of*
25 *invention in interferences declared under section 135(a).*

1 *Each appeal and interference shall be heard by at least 3*
 2 *members of the Board, who shall be designated by the Com-*
 3 *missioner. Only the Board of Patent Appeals and Inter-*
 4 *ferences may grant rehearings.”.*

5 **SEC. 118. SUITS BY AND AGAINST THE OFFICE.**

6 *Chapter 1 of part I of title 35, United States Code,*
 7 *is amended by inserting after section 6 the following new*
 8 *section:*

9 **“§ 7. Suits by and against the Office**

10 *“(a) IN GENERAL.—*

11 *“(1) ACTIONS UNDER UNITED STATES LAW.—*

12 *Any civil action or proceeding to which the United*
 13 *States Patent and Trademark Office is a party is*
 14 *deemed to arise under the laws of the United States.*
 15 *The Federal courts shall have exclusive jurisdiction*
 16 *over all civil actions by or against the Office.*

17 *“(2) CONTRACT CLAIMS.—Any action or pro-*
 18 *ceeding against the Office in which any claim is cog-*
 19 *nizable under the Contract Disputes Act of 1978 (41*
 20 *U.S.C. 601 and following) shall be subject to that Act.*
 21 *For purposes of that Act, the Commissioner shall be*
 22 *deemed to be the agency head with respect to contract*
 23 *claims arising with respect to the Office. Any other*
 24 *action or proceeding against the Office founded upon*

1 *contract may be brought in an appropriate district*
2 *court, notwithstanding any provision of title 28.*

3 “(3) *TORT CLAIMS.—(A) Any action or pro-*
4 *ceeding against the Office in which any claim is cog-*
5 *nizable under the provisions of section 1346(b) and*
6 *chapter 171 of title 28, shall be governed by those pro-*
7 *visions.*

8 “(B) *Any other action or proceeding against the*
9 *Office founded upon tort may be brought in an ap-*
10 *propriate district court without regard to the provi-*
11 *sions of section 1346(b) and chapter 171 of title 28.*

12 “(4) *PROHIBITION ON ATTACHMENT, LIENS,*
13 *ETC.—No attachment, garnishment, lien, or similar*
14 *process, intermediate or final, in law or equity, may*
15 *be issued against property of the Office.*

16 “(5) *SUBSTITUTION OF OFFICE AS PARTY.—The*
17 *Office shall be substituted as defendant in any civil*
18 *action or proceeding against an officer or employee of*
19 *the Office, if the Office determines that the officer or*
20 *employee was acting within the scope of his or her*
21 *employment with the Office. If the Office refuses to*
22 *certify scope of employment, the officer or employee*
23 *may at any time before trial petition the court to find*
24 *and certify that the officer or employee was acting*
25 *within the scope of his or her employment. Upon cer-*

1 *tification by the court, the Office shall be substituted*
2 *as the party defendant. A copy of the petition shall*
3 *be served upon the Office. In any such civil action or*
4 *proceeding to which paragraph (3)(A) applies, the*
5 *provisions of section 1346(b) and chapter 171 of title*
6 *28 shall apply in lieu of this paragraph.*

7 *“(b) RELATIONSHIP WITH JUSTICE DEPARTMENT.—*

8 *“(1) EXERCISE BY OFFICE OF ATTORNEY GEN-*
9 *ERAL’S AUTHORITIES.—Except as provided in this*
10 *section, with respect to any action or proceeding in*
11 *which the Office is a party or an officer or employee*
12 *thereof is a party in his or her official capacity, the*
13 *Office, officer, or employee may exercise, without*
14 *prior authorization from the Attorney General, the*
15 *authorities and duties that otherwise would be exer-*
16 *cised by the Attorney General on behalf of the Office,*
17 *officer, or employee under title 28 or other laws.*

18 *“(2) APPEARANCES BY ATTORNEY GENERAL.—*

19 *Notwithstanding paragraph (1), at any time the At-*
20 *torney General may, in any action or proceeding de-*
21 *scribed in paragraph (1), file an appearance on be-*
22 *half of the Office or the officer or employee involved,*
23 *without the consent of the Office or the officer or em-*
24 *ployee. Upon such filing, the Attorney General shall*
25 *represent the Office or such officer or employee with*

1 *exclusive authority in the conduct, settlement, or com-*
2 *promise of that action or proceeding.*

3 “(3) *CONSULTATIONS WITH AND ASSISTANCE BY*
4 *ATTORNEY GENERAL.—The Office may consult with*
5 *the Attorney General concerning any legal matter,*
6 *and the Attorney General shall provide advice and as-*
7 *sistance to the Office, including representing the Of-*
8 *ice in litigation, if requested by the Office.*

9 “(4) *REPRESENTATION BEFORE SUPREME*
10 *COURT.—The Attorney General shall represent the Of-*
11 *ice in all cases before the United States Supreme*
12 *Court.*

13 “(5) *QUALIFICATIONS OF ATTORNEYS.—An attor-*
14 *ney admitted to practice to the bar of the highest*
15 *court of at least one State in the United States or the*
16 *District of Columbia and employed by the Office may*
17 *represent the Office in any legal proceeding in which*
18 *the Office or an officer or employee of the Office is a*
19 *party or interested, regardless of whether the attorney*
20 *is a resident of the jurisdiction in which the pro-*
21 *ceeding is held and notwithstanding any other pre-*
22 *requisites of qualification or appearance required by*
23 *the court or administrative body before which the pro-*
24 *ceeding is conducted.”.*

1 **SEC. 119. ANNUAL REPORT OF COMMISSIONER.**

2 *Section 14 of title 35, United States Code, is amended*
3 *to read as follows:*

4 **“§ 14. Annual report to Congress**

5 *“The Commissioner shall report to the Congress, not*
6 *later than 180 days after the end of each fiscal year, the*
7 *moneys received and expended by the Office, the purposes*
8 *for which the moneys were spent, the quality and quantity*
9 *of the work of the Office, and other information relating*
10 *to the Office. The report under this section shall also meet*
11 *the requirements of section 9106 of title 31, to the extent*
12 *that such requirements are not inconsistent with the pre-*
13 *ceding sentence. The report required under this section shall*
14 *be deemed to be the report of the United States Patent and*
15 *Trademark Office under section 9106 of title 31, and the*
16 *Commissioner shall not file a separate report under such*
17 *section.”.*

18 **SEC. 120. SUSPENSION OR EXCLUSION FROM PRACTICE.**

19 *Section 32 of title 35, United States Code, is amended*
20 *by inserting before the last sentence the following: “The*
21 *Commissioner shall have the discretion to designate any at-*
22 *torney who is an officer or employee of the United States*
23 *Patent and Trademark Office to conduct the hearing re-*
24 *quired by this section.”.*

1 **SEC. 121. FUNDING.**

2 *Section 42 of title 35, United States Code, is amended*
3 *to read as follows:*

4 **“§ 42. Patent and Trademark Office funding**

5 *“(a) FEES PAYABLE TO THE OFFICE.—All fees for*
6 *services performed by or materials furnished by the United*
7 *States Patent and Trademark Office shall be payable to the*
8 *Office.*

9 *“(b) USE OF MONEYS.—Moneys from fees shall be*
10 *available to the United States Patent and Trademark Office*
11 *to carry out, to the extent provided in appropriations Acts,*
12 *the functions of the Office. Moneys of the Office not other-*
13 *wise used to carry out the functions of the Office shall be*
14 *kept in cash on hand or on deposit, or invested in obliga-*
15 *tions of the United States or guaranteed by the United*
16 *States, or in obligations or other instruments which are*
17 *lawful investments for fiduciary, trust, or public funds. Fees*
18 *available to the Office under this title shall be used for the*
19 *processing of patent applications and for other services and*
20 *materials relating to patents. Fees available to the Office*
21 *under section 31 of the Act of July 5, 1946 (commonly re-*
22 *ferred to as the ‘Trademark Act of 1946’; 15 U.S.C. 1113),*
23 *shall be used for the processing of trademark registrations*
24 *and for other services and materials relating to trademarks.*

25 *“(c) BORROWING AUTHORITY.—The United States*
26 *Patent and Trademark Office is authorized to issue from*

1 *time to time for purchase by the Secretary of the Treasury*
2 *its debentures, bonds, notes, and other evidences of indebted-*
3 *ness (hereafter in this subsection referred to as ‘obligations’)*
4 *to assist in financing its activities. Borrowing under this*
5 *subsection shall be subject to prior approval in appropria-*
6 *tions Acts. Such borrowing shall not exceed amounts ap-*
7 *proved in appropriations Acts. Any borrowing under this*
8 *subsection shall be repaid only from fees paid to the Office*
9 *and surcharges appropriated by the Congress. Such obliga-*
10 *tions shall be redeemable at the option of the Office before*
11 *maturity in the manner stipulated in such obligations and*
12 *shall have such maturity as is determined by the Office with*
13 *the approval of the Secretary of the Treasury. Each such*
14 *obligation issued to the Treasury shall bear interest at a*
15 *rate not less than the current yield on outstanding market-*
16 *able obligations of the United States of comparable matu-*
17 *rity during the month preceding the issuance of the obliga-*
18 *tion as determined by the Secretary of the Treasury. The*
19 *Secretary of the Treasury shall purchase any obligations*
20 *of the Office issued under this subsection and for such pur-*
21 *pose the Secretary of the Treasury is authorized to use as*
22 *a public-debt transaction the proceeds of any securities*
23 *issued under chapter 31 of title 31, and the purposes for*
24 *which securities may be issued under that chapter are ex-*
25 *tended to include such purpose. Payment under this sub-*

1 *section of the purchase price of such obligations of the*
2 *United States Patent and Trademark Office shall be treated*
3 *as public debt transactions of the United States.”.*

4 **SEC. 122. AUDITS.**

5 *Chapter 4 of part I of title 35, United States Code,*
6 *is amended by adding at the end the following new section:*

7 **“§43. Audits**

8 *“(a) IN GENERAL.—Financial statements of the*
9 *United States Patent and Trademark Office shall be pre-*
10 *pared on an annual basis in accordance with generally ac-*
11 *cepted accounting principles. Such statements shall be au-*
12 *dited by an independent certified public accountant chosen*
13 *by the Commissioner. The audit shall be conducted in ac-*
14 *cordance with standards that are consistent with generally*
15 *accepted Government auditing standards and other stand-*
16 *ards established by the Comptroller General, and with the*
17 *generally accepted auditing standards of the private sector,*
18 *to the extent feasible. The Commissioner shall transmit to*
19 *the Committees on the Judiciary of the House of Represent-*
20 *atives and the Senate the results of each audit under this*
21 *subsection.*

22 *“(b) REVIEW BY COMPTROLLER GENERAL.—The*
23 *Comptroller General may review any audit of the financial*
24 *statement of the Patent and Trademark Office that is con-*
25 *ducted under subsection (a). The Comptroller General shall*

1 *report to the Congress and the Office the results of any such*
2 *review and shall include in such report appropriate rec-*
3 *ommendations.*

4 “(c) *AUDIT BY COMPTROLLER GENERAL.*—*The Comp-*
5 *troller General may audit the financial statements of the*
6 *Office and such audit shall be in lieu of the audit required*
7 *by subsection (a). The Office shall reimburse the Comp-*
8 *troller General for the cost of any audit conducted under*
9 *this subsection.*

10 “(d) *ACCESS TO OFFICE RECORDS.*—*All books, finan-*
11 *cial records, report files, memoranda, and other property*
12 *that the Comptroller General deems necessary for the per-*
13 *formance of any audit shall be made available to the Comp-*
14 *troller General.*

15 “(e) *APPLICABILITY IN LIEU OF TITLE 31 PROVI-*
16 *SIONS.*—*This section applies to the Office in lieu of the pro-*
17 *visions of section 9105 of title 31.”.*

18 **SEC. 123. TRANSFERS.**

19 “(a) *TRANSFER OF FUNCTIONS.*—*Except as otherwise*
20 *provided in this title, there are transferred to, and vested*
21 *in, the United States Patent and Trademark Office all func-*
22 *tions, powers, and duties vested by law in the Secretary*
23 *of Commerce or the Department of Commerce or in the offi-*
24 *cers or components in the Department of Commerce with*
25 *respect to the authority to grant patents and register trade-*

1 marks, and in the Patent and Trademark Office, as in effect
 2 on the day before the effective date of this title, and in the
 3 officers and components of such Office.

4 (b) *TRANSFER OF FUNDS AND PROPERTY.*—The Sec-
 5 retary of Commerce shall transfer to the United States Pat-
 6 ent and Trademark Office, on the effective date of this title,
 7 so much of the assets, liabilities, contracts, property,
 8 records, and unexpended and unobligated balances of ap-
 9 propriations, authorizations, allocations, and other funds
 10 employed, held, used, arising from, available to, or to be
 11 made available to the Department of Commerce, including
 12 funds set aside for accounts receivable which are related to
 13 functions, powers, and duties which are vested in the Patent
 14 and Trademark Office by this title.

15 ***Subtitle B—Effective Date;***
 16 ***Technical Amendments***

17 ***SEC. 131. EFFECTIVE DATE.***

18 *This title and the amendments made by this title shall*
 19 *take effect 4 months after the date of the enactment of this*
 20 *Act.*

21 ***SEC. 132. TECHNICAL AND CONFORMING AMENDMENTS.***

22 (a) *AMENDMENTS TO TITLE 35.*—

23 (1) *The item relating to part I in the table of*
 24 *parts for chapter 35, United States Code, is amended*
 25 *to read as follows:*

“I. United States Patent and Trademark Office 1”.

1 (2) *The heading for part I of title 35, United*
 2 *States Code, is amended to read as follows:*

3 **“PART I—UNITED STATES PATENT AND**
 4 **TRADEMARK OFFICE”.**

5 (3) *The table of chapters for part I of title 35,*
 6 *United States Code, is amended by amending the*
 7 *item relating to chapter 1 to read as follows:*

“1. Establishment, Officers and Employees, Functions 1”.

8 (4) *The table of sections for chapter 1 of title 35,*
 9 *United States Code, is amended to read as follows:*

10 **“CHAPTER 1—ESTABLISHMENT, OFFICERS**
 11 **AND EMPLOYEES, FUNCTIONS**

 “Sec.

 “1. *Establishment.*

 “2. *Powers and duties.*

 “3. *Officers and employees.*

 “4. *Restrictions on officers and employees as to interest in patents.*

 “5. *Patent and Trademark Office Management Advisory Board.*

 “6. *Board of Patent Appeals and Interferences.*

 “7. *Suits by and against the Office.*

 “8. *Library.*

 “9. *Classification of patents.*

 “10. *Certified copies of records.*

 “11. *Publications.*

 “12. *Exchange of copies of patents with foreign countries.*

 “13. *Copies of patents for public libraries.*

 “14. *Annual report to Congress.”.*

12 (5) *The table of sections for chapter 4 of part I*
 13 *of title 35, United States Code, is amended by adding*
 14 *at the end the following new item:*

 “43. *Audits.”.*

15 (b) *OTHER PROVISIONS OF LAW.—*

1 (1) *Section 9101(3) of title 31, United States*
2 *Code, is amended by adding at the end the following:*

3 “(R) *the United States Patent and Trade-*
4 *mark Office.*”.

5 (2) *Section 500(e) of title 5, United States Code,*
6 *is amended by striking “Patent Office” and inserting*
7 *“United States Patent and Trademark Office”.*

8 (3) *Section 5102(c)(23) of title 5, United States*
9 *Code, is amended by striking “Patent and Trademark*
10 *Office, Department of Commerce” and inserting*
11 *“United States Patent and Trademark Office”.*

12 (4) *Section 5316 of title 5, United States Code*
13 *(5 U.S.C. 5316) is amended by striking “Commis-*
14 *sioner of Patents, Department of Commerce.”, “Dep-*
15 *uty Commissioner of Patents and Trademarks.”, “As-*
16 *stant Commissioner for Patents.”, and “Assistant*
17 *Commissioner for Trademarks.”.*

18 (5) *Section 12 of the Act of February 14, 1903*
19 *(15 U.S.C. 1511) is amended by striking “(d) Patent*
20 *and Trademark Office;” and redesignating subsections*
21 *(a) through (g) as paragraphs (1) through (6), respec-*
22 *tively.*

23 (6) *The Act of April 12, 1892 (27 Stat. 395; 20*
24 *U.S.C. 91) is amended by striking “Patent Office”*

1 and inserting “United States Patent and Trademark
2 Office”.

3 (7) Sections 505(m) and 512(o) of the Federal
4 Food, Drug, and Cosmetic Act (21 U.S.C. 355(m) and
5 360b(o)) are each amended by striking “Patent and
6 Trademark Office of the Department of Commerce”
7 and inserting “United States Patent and Trademark
8 Office”.

9 (8) Section 105(e) of the Federal Alcohol Admin-
10 istration Act (27 U.S.C. 205(e)) is amended by strik-
11 ing “United States Patent Office” and inserting
12 “United States Patent and Trademark Office”.

13 (9) Section 1744 of title 28, United States Code
14 is amended—

15 (A) by striking “Patent Office” each place
16 it appears in the text and section heading and
17 inserting “United States Patent and Trademark
18 Office”; and

19 (B) by striking “Commissioner of Patents”
20 and inserting “Commissioner of Patents and
21 Trademarks”.

22 (10) Section 1745 of title 28, United States
23 Code, is amended by striking “United States Patent
24 Office” and inserting “United States Patent and
25 Trademark Office”.

1 (11) *Section 1928 of title 28, United States*
2 *Code, is amended by striking “Patent Office” and in-*
3 *serting “United States Patent and Trademark Of-*
4 *fice”.*

5 (12) *Section 160 of the Atomic Energy Act of*
6 *1954 (42 U.S.C. 2190) is amended—*

7 (A) *by striking “United States Patent Of-*
8 *fice” and inserting “United States Patent and*
9 *Trademark Office”; and*

10 (B) *by striking “Commissioner of Patents”*
11 *and inserting “Commissioner of Patents and*
12 *Trademarks”.*

13 (13) *Section 305(c) of the National Aeronautics*
14 *and Space Act of 1958 (42 U.S.C. 2457(c)) is amend-*
15 *ed by striking “Commissioner of Patents” and insert-*
16 *ing “Commissioner of Patents and Trademarks”.*

17 (14) *Section 12(a) of the Solar Heating and*
18 *Cooling Demonstration Act of 1974 (42 U.S.C.*
19 *5510(a)) is amended by striking “Commissioner of*
20 *the Patent Office” and inserting “Commissioner of*
21 *Patents and Trademarks”.*

22 (15) *Section 1111 of title 44, United States*
23 *Code, is amended by striking “the Commissioner of*
24 *Patents,”.*

1 (16) *Section 1114 of title 44, United States*
2 *Code, is amended by striking “the Commissioner of*
3 *Patents,”.*

4 (17) *Section 1123 of title 44, United States*
5 *Code, is amended by striking “the Patent Office,”.*

6 (18) *Sections 1337 and 1338 of title 44, United*
7 *States Code, and the items relating to those sections*
8 *in the table of contents for chapter 13 of such title,*
9 *are repealed.*

10 (19) *Section 10(i) of the Trading With the*
11 *Enemy Act (50 U.S.C. App. 10(i)) is amended by*
12 *striking “Commissioner of Patents” and inserting*
13 *“Commissioner of Patents and Trademarks”.*

14 (20) *Section 8G(a)(2) of the Inspector General*
15 *Act of 1978 (5 U.S.C. App.) is amended by inserting*
16 *“the United States Patent and Trademark Office,”*
17 *after “the United States International Trade Com-*
18 *mission,”.*

19 ***Subtitle C—Miscellaneous***
20 ***Provisions***

21 **SEC. 141. REFERENCES.**

22 *Any reference in any other Federal law, Executive*
23 *order, rule, regulation, or delegation of authority, or any*
24 *document of or pertaining to a department or office from*
25 *which a function is transferred by this title—*

1 (1) to the head of such department or office is
2 deemed to refer to the head of the department or office
3 to which such function is transferred; or

4 (2) to such department or office is deemed to
5 refer to the department or office to which such func-
6 tion is transferred.

7 **SEC. 142. EXERCISE OF AUTHORITIES.**

8 *Except as otherwise provided by law, a Federal official*
9 *to whom a function is transferred by this title may, for*
10 *purposes of performing the function, exercise all authorities*
11 *under any other provision of law that were available with*
12 *respect to the performance of that function to the official*
13 *responsible for the performance of the function immediately*
14 *before the effective date of the transfer of the function under*
15 *this title.*

16 **SEC. 143. SAVINGS PROVISIONS.**

17 (a) *LEGAL DOCUMENTS.*—*All orders, determinations,*
18 *rules, regulations, permits, grants, loans, contracts, agree-*
19 *ments, certificates, licenses, and privileges—*

20 (1) *that have been issued, made, granted, or al-*
21 *lowed to become effective by the President, the Sec-*
22 *retary of Commerce, any officer or employee of any*
23 *office transferred by this title, or any other Govern-*
24 *ment official, or by a court of competent jurisdiction,*

1 *in the performance of any function that is transferred*
2 *by this title, and*

3 *(2) that are in effect on the effective date of such*
4 *transfer (or become effective after such date pursuant*
5 *to their terms as in effect on such effective date),*

6 *shall continue in effect according to their terms until modi-*
7 *fied, terminated, superseded, set aside, or revoked in accord-*
8 *ance with law by the President, any other authorized offi-*
9 *cial, a court of competent jurisdiction, or operation of law.*

10 *(b) PROCEEDINGS.—This title shall not affect any pro-*
11 *ceedings or any application for any benefits, service, license,*
12 *permit, certificate, or financial assistance pending on the*
13 *effective date of this title before an office transferred by this*
14 *title, but such proceedings and applications shall be contin-*
15 *ued. Orders shall be issued in such proceedings, appeals*
16 *shall be taken therefrom, and payments shall be made pur-*
17 *suant to such orders, as if this title had not been enacted,*
18 *and orders issued in any such proceeding shall continue in*
19 *effect until modified, terminated, superseded, or revoked by*
20 *a duly authorized official, by a court of competent jurisdic-*
21 *tion, or by operation of law. Nothing in this subsection shall*
22 *be considered to prohibit the discontinuance or modification*
23 *of any such proceeding under the same terms and condi-*
24 *tions and to the same extent that such proceeding could have*

1 *been discontinued or modified if this title had not been en-*
2 *acted.*

3 (c) *SUITS.*—*This title shall not affect suits commenced*
4 *before the effective date of this title, and in all such suits,*
5 *proceedings shall be had, appeals taken, and judgments ren-*
6 *dered in the same manner and with the same effect as if*
7 *this title had not been enacted.*

8 (d) *NONABATEMENT OF ACTIONS.*—*No suit, action, or*
9 *other proceeding commenced by or against the Department*
10 *of Commerce or the Secretary of Commerce, or by or against*
11 *any individual in the official capacity of such individual*
12 *as an officer or employee of an office transferred by this*
13 *title, shall abate by reason of the enactment of this title.*

14 (e) *CONTINUANCE OF SUITS.*—*If any Government offi-*
15 *cer in the official capacity of such officer is party to a suit*
16 *with respect to a function of the officer, and under this title*
17 *such function is transferred to any other officer or office,*
18 *then such suit shall be continued with the other officer or*
19 *the head of such other office, as applicable, substituted or*
20 *added as a party.*

21 (f) *ADMINISTRATIVE PROCEDURE AND JUDICIAL RE-*
22 *VIEW.*—*Except as otherwise provided by this title, any stat-*
23 *utory requirements relating to notice, hearings, action upon*
24 *the record, or administrative or judicial review that apply*
25 *to any function transferred by this title shall apply to the*

1 *exercise of such function by the head of the Federal agency,*
2 *and other officers of the agency, to which such function is*
3 *transferred by this title.*

4 **SEC. 144. TRANSFER OF ASSETS.**

5 *Except as otherwise provided in this title, so much of*
6 *the personnel, property, records, and unexpended balances*
7 *of appropriations, allocations, and other funds employed,*
8 *used, held, available, or to be made available in connection*
9 *with a function transferred to an official or agency by this*
10 *title shall be available to the official or the head of that*
11 *agency, respectively, at such time or times as the Director*
12 *of the Office of Management and Budget directs for use in*
13 *connection with the functions transferred.*

14 **SEC. 145. DELEGATION AND ASSIGNMENT.**

15 *Except as otherwise expressly prohibited by law or oth-*
16 *erwise provided in this title, an official to whom functions*
17 *are transferred under this title (including the head of any*
18 *office to which functions are transferred under this title)*
19 *may delegate any of the functions so transferred to such*
20 *officers and employees of the office of the official as the offi-*
21 *cial may designate, and may authorize successive redelega-*
22 *tions of such functions as may be necessary or appropriate.*
23 *No delegation of functions under this section or under any*
24 *other provision of this title shall relieve the official to whom*

1 *a function is transferred under this title of responsibility*
2 *for the administration of the function.*

3 **SEC. 146. AUTHORITY OF DIRECTOR OF THE OFFICE OF**
4 **MANAGEMENT AND BUDGET WITH RESPECT**
5 **TO FUNCTIONS TRANSFERRED.**

6 (a) *DETERMINATIONS.*—*If necessary, the Director of*
7 *the Office of Management and Budget shall make any deter-*
8 *mination of the functions that are transferred under this*
9 *title.*

10 (b) *INCIDENTAL TRANSFERS.*—*The Director of the Of-*
11 *fice of Management and Budget, at such time or times as*
12 *the Director shall provide, may make such determinations*
13 *as may be necessary with regard to the functions transferred*
14 *by this title, and to make such additional incidental dis-*
15 *positions of personnel, assets, liabilities, grants, contracts,*
16 *property, records, and unexpended balances of appropria-*
17 *tions, authorizations, allocations, and other funds held,*
18 *used, arising from, available to, or to be made available*
19 *in connection with such functions, as may be necessary to*
20 *carry out the provisions of this title. The Director shall pro-*
21 *vide for the termination of the affairs of all entities termi-*
22 *nated by this title and for such further measures and dis-*
23 *positions as may be necessary to effectuate the purposes of*
24 *this title.*

1 **SEC. 147. CERTAIN VESTING OF FUNCTIONS CONSIDERED**
2 **TRANSFERS.**

3 *For purposes of this title, the vesting of a function in*
4 *a department or office pursuant to reestablishment of an*
5 *office shall be considered to be the transfer of the function.*

6 **SEC. 148. AVAILABILITY OF EXISTING FUNDS.**

7 *Existing appropriations and funds available for the*
8 *performance of functions, programs, and activities termi-*
9 *nated pursuant to this title shall remain available, for the*
10 *duration of their period of availability, for necessary ex-*
11 *penses in connection with the termination and resolution*
12 *of such functions, programs, and activities.*

13 **SEC. 149. DEFINITIONS.**

14 *For purposes of this title—*

15 *(1) the term “function” includes any duty, obli-*
16 *gation, power, authority, responsibility, right, privi-*
17 *lege, activity, or program; and*

18 *(2) the term “office” includes any office, admin-*
19 *istration, agency, bureau, institute, council, unit, or-*
20 *ganizational entity, or component thereof.*

21 **TITLE II—EARLY PUBLICATION**
22 **OF PATENT APPLICATIONS**

23 **SEC. 201. SHORT TITLE.**

24 *This title may be cited as the “Patent Application*
25 *Publication Act of 1996”.*

1 **SEC. 202. EARLY PUBLICATION.**

2 *Section 122 of title 35, United States Code, is amended*
3 *to read as follows:*

4 **“§ 122. Confidential status of applications; publica-**
5 **tion of patent applications**

6 *“(a) CONFIDENTIALITY.—Except as provided in sub-*
7 *section (b), applications for patents shall be kept in con-*
8 *fidence by the Patent and Trademark Office and no infor-*
9 *mation concerning the same given without authority of the*
10 *applicant or owner unless necessary to carry out the provi-*
11 *sions of an Act of Congress or in such special circumstances*
12 *as may be determined by the Commissioner.*

13 *“(b) PUBLICATION.—*

14 *“(1) IN GENERAL.—(A) Subject to paragraph*
15 *(2), each application for patent, except applications*
16 *for design patents filed under chapter 16 of this title*
17 *and provisional applications filed under section*
18 *111(b) of this title, shall be published, in accordance*
19 *with procedures determined by the Commissioner, as*
20 *soon as possible after the expiration of a period of 18*
21 *months from the earliest filing date for which a ben-*
22 *efit is sought under this title. At the request of the ap-*
23 *plicant, an application may be published earlier than*
24 *the end of such 18-month period.*

1 “(B) No information concerning published pat-
2 ent applications shall be made available to the public
3 except as the Commissioner determines.

4 “(C) Notwithstanding any other provision of
5 law, a determination by the Commissioner to release
6 or not to release information concerning a published
7 patent application shall be final and nonreviewable.

8 “(2) EXCEPTIONS.—(A) An application that is
9 no longer pending shall not be published.

10 “(B) An application that is subject to a secrecy
11 order pursuant to section 181 of this title shall not
12 be published.

13 “(C)(i) Upon the request of the applicant at the
14 time of filing, the application shall not be published
15 in accordance with paragraph (1) until 3 months
16 after the Commissioner makes a notification to the
17 applicant under section 132 of this title.

18 “(ii) Applications filed pursuant to section 363
19 of this title, applications asserting priority under sec-
20 tion 119 or 365(a) of this title, and applications as-
21 serting the benefit of an earlier application under sec-
22 tion 120, 121, or 365(c) of this title shall not be eligi-
23 ble for a request pursuant to this subparagraph.

24 “(iii) In a request under this subparagraph, the
25 applicant shall certify that the invention disclosed in

1 “(2) *The Commissioner may consider the failure of the*
2 *applicant to file a timely claim for priority as a waiver*
3 *of any such claim, and may require the payment of a sur-*
4 *charge as a condition of accepting an untimely claim dur-*
5 *ing the pendency of the application.*

6 “(3) *The Commissioner may require a certified copy*
7 *of the original foreign application, specification, and draw-*
8 *ings upon which it is based, a translation if not in the*
9 *English language, and such other information as the Com-*
10 *missioner considers necessary. Any such certification shall*
11 *be made by the patent office of the foreign country in which*
12 *the foreign application was filed and show the date of the*
13 *application and of the filing of the specification and other*
14 *papers.”.*

15 (b) *IN THE UNITED STATES.—Section 120 of title 35,*
16 *United States Code, is amended by adding at the end the*
17 *following: “The Commissioner may determine the time pe-*
18 *riod during the pendency of the application within which*
19 *an amendment containing the specific reference to the ear-*
20 *lier filed application is submitted. The Commissioner may*
21 *consider the failure to submit such an amendment within*
22 *that time period as a waiver of any benefit under this sec-*
23 *tion. The Commissioner may establish procedures, includ-*
24 *ing the payment of a surcharge, to accept unavoidably late*
25 *submissions of amendments under this section.”.*

1 **SEC. 204. PROVISIONAL RIGHTS.**

2 *Section 154 of title 35, United States Code, is*
3 *amended—*

4 *(1) in the section caption by inserting “; **provi-***
5 ***sional rights**” after “**patent**”; and*

6 *(2) by adding at the end the following new sub-*
7 *section:*

8 *“(d) PROVISIONAL RIGHTS.—*

9 *“(1) IN GENERAL.—In addition to other rights*
10 *provided by this section, a patent shall include the*
11 *right to obtain a reasonable royalty from any person*
12 *who, during the period beginning on the date of pub-*
13 *lication of the application for such patent pursuant*
14 *to section 122(b) of this title, or in the case of an*
15 *international application designating the United*
16 *States, the date of international publication of the ap-*
17 *plication, and ending on the date the patent is*
18 *issued—*

19 *“(A)(i) makes, uses, offers for sale, or sells*
20 *in the United States the invention as claimed in*
21 *the published patent application or imports such*
22 *an invention into the United States; or*

23 *“(ii) if the invention as claimed in the pub-*
24 *lished patent application is a process, uses, offers*
25 *for sale, or sells in the United States or imports*
26 *into the United States products made by that*

1 *process as claimed in the published patent appli-*
2 *cation; and*

3 “(B) *had actual notice of the published pat-*
4 *ent application and where the right arising*
5 *under this paragraph is based upon an inter-*
6 *national application designating the United*
7 *States that is published in a language other than*
8 *English, a translation of the international appli-*
9 *cation into the English language.*

10 “(2) *RIGHT BASED ON SUBSTANTIALLY IDEN-*
11 *TICAL INVENTIONS.—The right under paragraph (1)*
12 *to obtain a reasonable royalty shall not be available*
13 *under this subsection unless the invention as claimed*
14 *in the patent is substantially identical to the inven-*
15 *tion as claimed in the published patent application.*

16 “(3) *TIME LIMITATION ON OBTAINING A REASON-*
17 *ABLE ROYALTY.—The right under paragraph (1) to*
18 *obtain a reasonable royalty shall be available only in*
19 *an action brought not later than 6 years after the*
20 *patent is issued. The right under paragraph (1) to ob-*
21 *tain a reasonable royalty shall not be affected by the*
22 *duration of the period described in paragraph (1).*

23 “(4) *REQUIREMENTS FOR INTERNATIONAL APPLI-*
24 *CATIONS.—The right under paragraph (1) to obtain*
25 *a reasonable royalty based upon the publication*

1 *tion designating the United States was published*
2 *under Article 21(2)(a) of such treaty in the English*
3 *language, or*

4 *“(2) a patent granted on an application for pat-*
5 *ent by another filed in the United States before the*
6 *invention by the applicant for patent, except that a*
7 *patent granted on an international application filed*
8 *under the treaty defined in section 351(a) of this title*
9 *shall have the effect under this subsection of a patent*
10 *granted on a national application only if the inter-*
11 *national application was published under Article*
12 *21(2)(a) of such treaty in the English language, or”.*

13 **SEC. 206. COST RECOVERY FOR PUBLICATION.**

14 *The Commissioner shall recover the cost of early publi-*
15 *cation required by the amendment made by section 202 by*
16 *adjusting the filing, issue, and maintenance fees under title*
17 *35, United States Code, by charging a separate publication*
18 *fee, or by any combination of these methods.*

19 **SEC. 207. CONFORMING CHANGES.**

20 *The following provisions of title 35, United States*
21 *Code, are amended:*

22 *(1) Section 11 is amended in paragraph 1 of*
23 *subsection (a) by inserting “and published applica-*
24 *tions for patents” after “Patents”.*

25 *(2) Section 12 is amended—*

1 (A) in the section caption by inserting
2 **“and applications”** after **“patents”**; and

3 (B) by inserting “and published applica-
4 tions for patents” after “patents”.

5 (3) Section 13 is amended—

6 (A) in the section caption by inserting
7 **“and applications”** after **“patents”**; and

8 (B) by inserting “and published applica-
9 tions for patents” after “patents”.

10 (4) The items relating to sections 12 and 13 in
11 the table of sections for chapter 1 are each amended
12 by inserting “and applications” after “patents”.

13 (5) The item relating to section 122 in the table
14 of sections for chapter 11 is amended by inserting “;
15 publication of patent applications” after “applica-
16 tions”.

17 (6) The item relating to section 154 in the table
18 of sections for chapter 14 is amended by inserting “;
19 provisional rights” after “patent”.

20 (7) Section 181 is amended—

21 (A) in the first paragraph—

22 (i) by inserting “by the publication of
23 an application or” after “disclosure”; and

24 (ii) by inserting “the publication of the
25 application or” after “withhold”;

1 (B) in the second paragraph by inserting
2 “by the publication of an application or” after
3 “disclosure of an invention”;

4 (C) in the third paragraph—

5 (i) by inserting “by the publication of
6 the application or” after “disclosure of the
7 invention”; and

8 (ii) by inserting “the publication of the
9 application or” after “withhold”; and

10 (D) in the fourth paragraph by inserting
11 “the publication of an application or” after
12 “and” in the first sentence.

13 (8) Section 252 is amended in the first para-
14 graph by inserting “substantially” before “identical”
15 each place it appears.

16 (9) Section 284 is amended by adding at the end
17 of the second paragraph the following: “Increased
18 damages under this paragraph shall not apply to pro-
19 visional rights under section 154(d) of this title.”.

20 (10) Section 374 is amended to read as follows:

21 **“§374. Publication of international application: Ef-**
22 **fect**

23 “The publication under the treaty, defined in section
24 351(a) of this title, of an international application desig-
25 nating the United States shall confer the same rights and

1 *shall have the same effect under this title as an application*
2 *for patent published under section 122(b), except as pro-*
3 *vided in sections 102(e) and 154(d) of this title.”.*

4 **SEC. 208. PATENT TERM EXTENSION AUTHORITY.**

5 *Section 154(b) of title 35, United States Code, is*
6 *amended to read as follows:*

7 *“(b) TERM EXTENSION.—*

8 *“(1) BASIS FOR PATENT TERM EXTENSION.—*

9 *“(A) DELAY.—Subject to the limitations set*
10 *forth in paragraph (2), if the issue of an origi-*
11 *nal patent is delayed due to—*

12 *“(i) a proceeding under section 135(a)*
13 *of this title,*

14 *“(ii) the imposition of an order pursu-*
15 *ant to section 181 of this title,*

16 *“(iii) appellate review by the Board of*
17 *Patent Appeals and Interferences or by a*
18 *Federal court where the patent was issued*
19 *pursuant to a decision in the review revers-*
20 *ing an adverse determination of patent-*
21 *ability, or*

22 *“(iv) an unusual administrative delay*
23 *by the Patent and Trademark Office in is-*
24 *ssuing the patent,*

1 *the term of the patent shall be extended for the*
2 *period of delay.*

3 “(B) *ADMINISTRATIVE DELAY.*—*For pur-*
4 *poses of subparagraph (A)(iv), an unusual ad-*
5 *ministrative delay by the Patent and Trademark*
6 *office is the failure to—*

7 “(i) *make a notification of the rejection*
8 *of any claim for a patent or any objection*
9 *or argument under section 132 of this title*
10 *or give or mail a written notice of allow-*
11 *ance under section 151 of this title not later*
12 *than 14 months after the date on which the*
13 *application was filed;*

14 “(ii) *respond to a reply under section*
15 *132 of this title or to an appeal taken under*
16 *section 134 of this title not later than 4*
17 *months after the date on which the reply*
18 *was filed or the appeal was taken;*

19 “(iii) *act on an application not later*
20 *than 4 months after the date of a decision*
21 *by the Board of Patent Appeals and Inter-*
22 *ferences under section 134 or 135 of this*
23 *title or a decision by a Federal court under*
24 *section 141, 145, or 146 of this title where*

1 *allowable claims remain in an application;*

2 *or*

3 *“(iv) issue a patent not later than 4*
4 *months after the date on which the issue fee*
5 *was paid under section 151 of this title and*
6 *all outstanding requirements were satisfied.*

7 *“(2) LIMITATIONS.—(A) The total duration of*
8 *any extensions granted pursuant to either clause (iii)*
9 *or (iv) of paragraph (1)(A) or both such clauses shall*
10 *not exceed 10 years. To the extent that periods of*
11 *delay attributable to grounds specified in paragraph*
12 *(1) overlap, the period of any extension granted under*
13 *this subsection shall not exceed the actual number of*
14 *days the issuance of the patent was delayed.*

15 *“(B) The period of extension of the term of a*
16 *patent under this subsection shall be reduced by a pe-*
17 *riod equal to the time in which the applicant failed*
18 *to engage in reasonable efforts to conclude prosecution*
19 *of the application. The Commissioner shall prescribe*
20 *regulations establishing the circumstances that con-*
21 *stitute a failure of an applicant to engage in reason-*
22 *able efforts to conclude processing or examination of*
23 *an application.*

24 *“(C) No patent the term of which has been dis-*
25 *claimed beyond a specified date may be extended*

1 *of Civil Procedure, the period of pendency of the provisional*
2 *application shall be extended to the next succeeding business*
3 *day.”.*

4 **SEC. 211. REPORTING REQUIREMENT.**

5 *The Commissioner of Patents and Trademarks shall*
6 *report to the Congress not later than April 1, 2000, and*
7 *not later than April 1 of each year thereafter, regarding*
8 *the impact of publication on the patent applications filed*
9 *by an applicant who has been accorded the status of inde-*
10 *pendent inventor under section 41(h) of title 35, United*
11 *States Code. The report shall include information con-*
12 *cerning the frequency and number of initial and continuing*
13 *patent applications, pendency, interferences, reexamina-*
14 *tions, rejection, abandonment rates, fees, other expenses, and*
15 *other relevant information related to the prosecution of pat-*
16 *ent applications.*

17 **SEC. 212. EFFECTIVE DATE.**

18 *(a) SECTIONS 202 THROUGH 207.—Sections 202*
19 *through 207, and the amendments made by such sections,*
20 *shall take effect on April 1, 1997, and shall apply to all*
21 *applications filed under section 111 of title 35, United*
22 *States Code, on or after that date, and all international*
23 *applications designating the United States that are filed*
24 *on or after that date.*

1 (b) *SECTIONS 208 THROUGH 210.*—The amendments
2 made by sections 208 through 210 shall take effect on the
3 date of the enactment of this Act and, except for a design
4 patent application filed under chapter 16 of title 35, United
5 States Code, shall apply to any application filed on or after
6 June 8, 1995.

7 **TITLE III—PRIOR DOMESTIC**
8 **COMMERCIAL USE**

9 **SEC. 301. SHORT TITLE.**

10 This title may be cited as the “Prior Domestic Com-
11 mercial Use Act of 1996”.

12 **SEC. 302. DEFENSE TO PATENT INFRINGEMENT BASED ON**
13 **PRIOR DOMESTIC COMMERCIAL USE.**

14 (a) *DEFENSE.*—Chapter 28 of title 35, United States
15 Code, is amended by adding at the end the following new
16 section:

17 **“§273. Prior domestic commercial use; defense to in-**
18 **fringement**

19 “(a) *DEFINITIONS.*—For purposes of this section—

20 “(1) the terms ‘commercially used’, ‘commer-
21 cially use’, and ‘commercial use’ mean the use in the
22 United States in commerce or the use in the design,
23 testing, or production in the United States of a prod-
24 uct or service which is used in commerce, whether or

1 *not the subject matter at issue is accessible to or oth-*
2 *erwise known to the public;*

3 “(2) the terms ‘used in commerce’, and ‘use in
4 *commerce’ mean that there has been an actual sale or*
5 *other commercial transfer of the subject matter at*
6 *issue or that there has been an actual sale or other*
7 *commercial transfer of a product or service resulting*
8 *from the use of the subject matter at issue; and*

9 “(3) the ‘effective filing date’ of a patent is the
10 *earlier of the actual filing date of the application for*
11 *the patent or the filing date of any earlier United*
12 *States, foreign, or international application to which*
13 *the subject matter at issue is entitled under section*
14 *119, 120, or 365 of this title.*

15 “(b) *DEFENSE TO INFRINGEMENT.—(1) A person shall*
16 *not be liable as an infringer under section 271 of this title*
17 *with respect to any subject matter that would otherwise in-*
18 *fringe one or more claims in the patent being asserted*
19 *against such person, if such person had, acting in good*
20 *faith, commercially used the subject matter before the effec-*
21 *tive filing date of such patent.*

22 “(2) *The sale or other disposition of the subject matter*
23 *of a patent by a person entitled to assert a defense under*
24 *this section with respect to that subject matter shall exhaust*
25 *the patent owner’s rights under the patent to the extent such*

1 *rights would have been exhausted had such sale or other dis-*
2 *position been made by the patent owner.*

3 “(c) *LIMITATIONS AND QUALIFICATIONS OF DE-*
4 *FENSE.*—*The defense to infringement under this section is*
5 *subject to the following:*

6 “(1) *DERIVATION.*—*A person may not assert the*
7 *defense under this section if the subject matter on*
8 *which the defense is based was derived from the pat-*
9 *entee or persons in privity with the patentee.*

10 “(2) *NOT A GENERAL LICENSE.*—*The defense as-*
11 *serted by a person under this section is not a general*
12 *license under all claims of the patent at issue, but ex-*
13 *tends only to the subject matter claimed in the patent*
14 *with respect to which the person can assert a defense*
15 *under this chapter, except that the defense shall also*
16 *extend to variations in the quantity or volume of use*
17 *of the claimed subject matter, and to improvements in*
18 *the claimed subject matter that do not infringe addi-*
19 *tional specifically claimed subject matter of the pat-*
20 *ent.*

21 “(3) *EFFECTIVE AND SERIOUS PREPARATION.*—
22 *With respect to subject matter that cannot be commer-*
23 *cialized without a significant investment of time,*
24 *money, and effort, a person shall be deemed to have*
25 *commercially used the subject matter if—*

1 “(A) before the effective filing date of the
2 patent, the person reduced the subject matter to
3 practice in the United States, completed a sig-
4 nificant portion of the total investment necessary
5 to commercially use the subject matter, and
6 made a commercial transaction in the United
7 States in connection with the preparation to use
8 the subject matter; and

9 “(B) thereafter the person diligently com-
10 pleted the remainder of the activities and invest-
11 ments necessary to commercially use the subject
12 matter, and promptly began commercial use of
13 the subject matter, even if such activities were
14 conducted after the effective filing date of the
15 patent.

16 “(4) *BURDEN OF PROOF.*—A person asserting the
17 defense under this section shall have the burden of es-
18 tablishing the defense.

19 “(5) *ABANDONMENT OF USE.*—A person who has
20 abandoned commercial use of subject matter may not
21 rely on activities performed before the date of such
22 abandonment in establishing a defense under sub-
23 section (b) with respect to actions taken after the date
24 of such abandonment.

1 “(6) *PERSONAL DEFENSE.*—*The defense under*
2 *this section may only be asserted by the person who*
3 *performed the acts necessary to establish the defense*
4 *and, except for any transfer to the patent owner, the*
5 *right to assert the defense shall not be licensed or as-*
6 *signed or transferred to another person except in con-*
7 *nection with the good faith assignment or transfer of*
8 *the entire enterprise or line of business to which the*
9 *defense relates.*

10 “(7) *ONE-YEAR LIMITATION.*—*A person may not*
11 *assert a defense under this section unless the subject*
12 *matter on which the defense is based had been com-*
13 *mercially used or reduced to practice more than one*
14 *year prior to the effective filing date of the patent by*
15 *the person asserting the defense or someone in privity*
16 *with that person.*

17 “(d) *UNSUCCESSFUL ASSERTION OF DEFENSE.*—*If the*
18 *defense under this section is pleaded by a person who is*
19 *found to infringe the patent and who subsequently fails to*
20 *demonstrate a reasonable basis for asserting the defense, the*
21 *court shall find the case exceptional for the purpose of*
22 *awarding attorney’s fees under section 285 of this title.*

23 “(e) *INVALIDITY.*—*A patent shall not be deemed to be*
24 *invalid under section 102 or 103 of this title solely because*
25 *a defense is established under this section.”.*

1 (b) *CONFORMING AMENDMENT.*—*The table of sections*
 2 *at the beginning of chapter 28 of title 35, United States*
 3 *Code, is amended by adding at the end the following new*
 4 *item:*

 “273. *Prior domestic commercial use; defense to infringement.*”.

5 **SEC. 303. EFFECTIVE DATE AND APPLICABILITY.**

6 *This title and the amendments made by this title shall*
 7 *take effect on the date of the enactment of this Act, but shall*
 8 *not apply to any action for infringement that is pending*
 9 *on such date of enactment or with respect to any subject*
 10 *matter for which an adjudication of infringement, includ-*
 11 *ing a consent judgment, has been made before such date of*
 12 *enactment.*

13 **TITLE IV—INVENTOR**
 14 **PROTECTION**

15 **SEC. 401. SHORT TITLE.**

16 *This title may be cited as the “Inventor Protection Act*
 17 *of 1996”.*

18 **SEC. 402. INVENTION DEVELOPMENT SERVICES.**

19 *Part I of title 35, United States Code, is amended by*
 20 *adding after chapter 4 the following new chapter:*

21 **“CHAPTER 5—INVENTION DEVELOPMENT**
 22 **SERVICES**

 “Sec.

 “51. *Definitions.*

 “52. *Contracting requirements.*

 “53. *Standard provisions for cover notice.*

 “54. *Reports to customer required.*

“55. *Mandatory contract terms.*

“56. *Remedies.*

“57. *Records of complaints.*

“58. *Fraudulent representation by an invention developer.*

“59. *Rule of construction.*

1 **“§ 51. Definitions**

2 “For purposes of this chapter—

3 “(1) *the term ‘contract for invention development*
4 *services’ means a contract by which an invention de-*
5 *veloper undertakes invention development services for*
6 *a customer;*

7 “(2) *the term ‘customer’ means any person, firm,*
8 *partnership, corporation, or other entity who is solici-*
9 *ted by, seeks the services of, or enters into a contract*
10 *with an invention promoter for invention promotion*
11 *services;*

12 “(3) *the term ‘invention promoter’ means any*
13 *person, firm, partnership, corporation, or other entity*
14 *who offers to perform or performs for, or on behalf of,*
15 *a customer any act described under paragraph (4),*
16 *but does not include—*

17 “(A) *any department or agency of the Fed-*
18 *eral Government or of a State or local govern-*
19 *ment;*

20 “(B) *any nonprofit, charitable, scientific, or*
21 *educational organization, qualified under appli-*
22 *cable State law or described under section*

1 170(b)(1)(A) of the Internal Revenue Code of
2 1986; or

3 “(C) any person duly registered and in
4 good standing before the Patent and Trademark
5 Office acting within the scope of that person’s
6 registration to practice before the Patent and
7 Trademark Office; and

8 “(4) the term ‘invention development services’
9 means, with respect to an invention by a customer,
10 any act involved in—

11 “(A) evaluating the invention to determine
12 its protectability as some form of intellectual
13 property, other than evaluation by a person li-
14 censed by a State to practice law who is acting
15 solely within the scope of that person’s profes-
16 sional license;

17 “(B) evaluating the invention to determine
18 its commercial potential by any person for pur-
19 poses other than providing venture capital; or

20 “(C) marketing, brokering, licensing, sell-
21 ing, or promoting the invention or a product or
22 service in which the invention is incorporated or
23 used, except that the display only of an inven-
24 tion at a trade show or exhibit shall not be con-
25 sidered to be invention development services.

1 **“§ 52. Contracting requirements**

2 “(a) *IN GENERAL.*—(1) *Every contract for invention*
3 *development services shall be in writing and shall be subject*
4 *to the provisions of this chapter. A copy of the signed writ-*
5 *ten contract shall be given to the customer at the time the*
6 *customer enters into the contract.*

7 “(2) *If a contract is entered into for the benefit of a*
8 *third party, such party shall be considered a customer for*
9 *purposes of this chapter.*

10 “(b) *REQUIREMENTS OF INVENTION DEVELOPER.*—
11 *The invention developer shall—*

12 “(1) *state in a written document, at the time a*
13 *customer enters into a contract for invention develop-*
14 *ment services, whether the usual business practice of*
15 *the invention developer is to—*

16 “(A) *seek more than 1 contract in connec-*
17 *tion with an invention; or*

18 “(B) *seek to perform services in connection*
19 *with an invention in 1 or more phases, with the*
20 *performance of each phase covered in 1 or more*
21 *subsequent contracts; and*

22 “(2) *supply to the customer a copy of the written*
23 *document together with a written summary of the*
24 *usual business practices of the invention developer,*
25 *including—*

1 “(A) *the usual business terms of contracts;*
2 *and*

3 “(B) *the approximate amount of the usual*
4 *fees or other consideration that may be required*
5 *from the customer for each of the services pro-*
6 *vided by the developer.*

7 “(c) *RIGHT OF CUSTOMER TO CANCEL CONTRACT.—*
8 (1) *Notwithstanding any contractual provision to the con-*
9 *trary, a customer shall have the right to terminate a con-*
10 *tract for invention development services by sending a writ-*
11 *ten letter to the invention developer stating the customer’s*
12 *intent to cancel the contract. The letter of termination must*
13 *be deposited with the United States Postal Service on or*
14 *before 5 business days after the date upon which the cus-*
15 *tomers or the invention developer executes the contract,*
16 *whichever is later.*

17 “(2) *Delivery of a promissory note, check, bill of ex-*
18 *change, or negotiable instrument of any kind to the inven-*
19 *tion developer or to a third party for the benefit of the in-*
20 *vention developer, without regard to the date or dates ap-*
21 *pearing in such instrument, shall be deemed payment re-*
22 *ceived by the invention developer on the date received for*
23 *purposes of this section.*

1 **“§ 53. Standard provisions for cover notice**

2 “(a) CONTENTS.—Every contract for invention devel-
3 opment services shall have a conspicuous and legible cover
4 sheet attached with the following notice imprinted in bold-
5 face type of not less than 12-point size:

6 “YOU HAVE THE RIGHT TO TERMINATE
7 THIS CONTRACT. TO TERMINATE THIS CON-
8 TRACT, YOU MUST SEND A WRITTEN LETTER
9 TO THE COMPANY STATING YOUR INTENT TO
10 CANCEL THIS CONTRACT. THE LETTER OF
11 TERMINATION MUST BE DEPOSITED WITH
12 THE UNITED STATES POSTAL SERVICE ON
13 OR BEFORE FIVE (5) BUSINESS DAYS AFTER
14 THE DATE ON WHICH YOU OR THE COMPANY
15 EXECUTE THE CONTRACT, WHICHEVER IS
16 LATER.

17 “THE TOTAL NUMBER OF INVENTIONS
18 EVALUATED BY THE INVENTION DEVELOPER
19 FOR COMMERCIAL POTENTIAL IN THE PAST
20 FIVE (5) YEARS IS _____. OF THAT NUM-
21 BER, _____ RECEIVED POSITIVE EVAL-
22 UATIONS AND _____ RECEIVED NEGA-
23 TIVE EVALUATIONS.

24 “IF YOU ASSIGN EVEN A PARTIAL IN-
25 TEREST IN THE INVENTION TO THE INVEN-
26 TION DEVELOPER, THE INVENTION DEVEL-

1 *OPER MAY HAVE THE RIGHT TO SELL OR*
2 *DISPOSE OF THE INVENTION WITHOUT YOUR*
3 *CONSENT AND MAY NOT HAVE TO SHARE*
4 *THE PROFITS WITH YOU.*

5 *“THE TOTAL NUMBER OF CUSTOMERS*
6 *WHO HAVE CONTRACTED WITH THE INVEN-*
7 *TION DEVELOPER IN THE PAST FIVE (5)*
8 *YEARS IS _____.* *THE TOTAL NUMBER*
9 *OF CUSTOMERS KNOWN BY THIS INVENTION*
10 *DEVELOPER TO HAVE RECEIVED, BY VIRTUE*
11 *OF THIS INVENTION DEVELOPER’S PER-*
12 *FORMANCE, AN AMOUNT OF MONEY IN EX-*
13 *CESS OF THE AMOUNT PAID BY THE CUS-*
14 *TOMER TO THIS INVENTION DEVELOPER IS*
15 *_____.*

16 *“THE OFFICERS OF THIS INVENTION*
17 *DEVELOPER HAVE COLLECTIVELY OR INDI-*
18 *VIDUALLY BEEN AFFILIATED IN THE LAST*
19 *TEN (10) YEARS WITH THE FOLLOWING IN-*
20 *VENTION DEVELOPMENT COMPANIES: (LIST*
21 *THE NAMES AND ADDRESSES OF ALL PRE-*
22 *VIOUS INVENTION DEVELOPMENT COMPA-*
23 *NIES WITH WHICH THE PRINCIPAL OFFI-*
24 *CERS HAVE BEEN AFFILIATED AS OWNERS,*
25 *AGENTS, OR EMPLOYEES). YOU ARE ENCOUR-*

1 *AGED TO CHECK WITH THE UNITED STATES*
2 *PATENT AND TRADEMARK OFFICE, THE FED-*
3 *ERAL TRADE COMMISSION, YOUR STATE AT-*
4 *TORNEY GENERAL'S OFFICE, AND THE BET-*
5 *TER BUSINESS BUREAU FOR ANY COM-*
6 *PLAINTS FILED AGAINST ANY OF THESE*
7 *COMPANIES.*

8 *“YOU ARE ENCOURAGED TO CONSULT*
9 *WITH AN ATTORNEY OF YOUR OWN CHOOS-*
10 *ING BEFORE SIGNING THIS CONTRACT. BY*
11 *PROCEEDING WITHOUT THE ADVICE OF AN*
12 *ATTORNEY REGISTERED TO PRACTICE BE-*
13 *FORE THE PATENT AND TRADEMARK OF-*
14 *FICE, YOU COULD LOSE ANY RIGHTS YOU*
15 *MIGHT HAVE IN YOUR IDEA OR INVENTION.’.*

16 *“(b) OTHER REQUIREMENTS FOR COVER NOTICE.—*
17 *The cover notice shall contain the items required under sub-*
18 *section (a) and the name, primary office address, and local*
19 *office address of the invention developer, and may contain*
20 *no other matter.*

21 *“(c) DISCLOSURE OF CERTAIN CUSTOMERS NOT RE-*
22 *QUIRED.—The requirement in the notice set forth in sub-*
23 *section (a) to include the ‘TOTAL NUMBER OF CUS-*
24 *TOMERS WHO HAVE CONTRACTED WITH THE IN-*
25 *VENTION DEVELOPER IN THE PAST FIVE (5)*

1 *YEARS*’ need not include information with respect to cus-
2 tomers who have purchased trade show services, research,
3 advertising, or other nonmarketing services from the inven-
4 tion developer, nor with respect to customers who have de-
5 faulted in their payments to the invention developer.

6 **“§ 54. Reports to customer required**

7 “With respect to every contract for invention develop-
8 ment services, the invention developer shall deliver to the
9 customer at the address specified in the contract, at least
10 once every 3 months throughout the term of the contract,
11 a written report that identifies the contract and includes—

12 “(1) a full, clear, and concise description of the
13 services performed to the date of the report and of the
14 services yet to be performed and names of all persons
15 who it is known will perform the services; and

16 “(2) the name and address of each person, firm,
17 corporation, or other entity to whom the subject mat-
18 ter of the contract has been disclosed, the reason for
19 each such disclosure, the nature of the disclosure, and
20 complete and accurate summaries of all responses re-
21 ceived as a result of those disclosures.

22 **“§ 55. Mandatory contract terms**

23 “(a) *MANDATORY TERMS*.—Each contract for inven-
24 tion development services shall include in boldface type of
25 not less than 12-point size—

1 “(1) the terms and conditions of payment and
2 contract termination rights required under section 52;

3 “(2) a statement that the customer may avoid
4 entering into the contract by not making a payment
5 to the invention developer;

6 “(3) a full, clear, and concise description of the
7 specific acts or services that the invention developer
8 undertakes to perform for the customer;

9 “(4) a statement as to whether the invention de-
10 veloper undertakes to construct, sell, or distribute one
11 or more prototypes, models, or devices embodying the
12 invention of the customer;

13 “(5) the full name and principal place of busi-
14 ness of the invention developer and the name and
15 principal place of business of any parent, subsidiary,
16 agent, independent contractor, and any affiliated
17 company or person who it is known will perform any
18 of the services or acts that the invention developer un-
19 dertakes to perform for the customer;

20 “(6) if any oral or written representation of esti-
21 mated or projected customer earnings is given by the
22 invention developer (or any agent, employee, officer,
23 director, partner, or independent contractor of such
24 invention developer), a statement of that estimation

1 or projection and a description of the data upon
2 which such representation is based;

3 “(7) the name and address of the custodian of all
4 records and correspondence relating to the contracted
5 for invention development services, and a statement
6 that the invention developer is required to maintain
7 all records and correspondence relating to perform-
8 ance of the invention development services for such
9 customer for a period of not less than 2 years after
10 expiration of the term of such contract; and

11 “(8) a statement setting forth a time schedule for
12 performance of the invention development services, in-
13 cluding an estimated date in which such performance
14 is expected to be completed.

15 “(b) *INVENTION DEVELOPER AS FIDUCIARY.*—To the
16 extent that the description of the specific acts or services
17 affords discretion to the invention developer with respect to
18 what specific acts or services shall be performed, the inven-
19 tion developer shall be deemed a fiduciary.

20 “(c) *AVAILABILITY OF INFORMATION.*—Records and
21 correspondence described under subsection (a)(7) shall be
22 made available after 7 days written notice to the customer
23 or the representative of the customer to review and copy
24 at a reasonable cost on the invention developer’s premises
25 during normal business hours.

1 **“§ 56. Remedies**

2 “(a) *IN GENERAL.*—(1) *Any contract for invention de-*
3 *velopment services that does not comply with the applicable*
4 *provisions of this chapter shall be voidable at the option*
5 *of the customer.*

6 “(2) *Any contract for invention development services*
7 *entered into in reliance upon any material false, fraudu-*
8 *lent, or misleading information, representation, notice, or*
9 *advertisement of the invention developer (or any agent, em-*
10 *ployee, officer, director, partner, or independent contractor*
11 *of such invention developer) shall be voidable at the option*
12 *of the customer.*

13 “(3) *Any waiver by the customer of any provision of*
14 *this chapter shall be deemed contrary to public policy and*
15 *shall be void and unenforceable.*

16 “(4) *Any contract for invention development services*
17 *which provides for filing for and obtaining utility, design,*
18 *or plant patent protection shall be voidable at the option*
19 *of the customer unless the invention developer offers to per-*
20 *form or performs such act through a registered patent attor-*
21 *ney or agent.*

22 “(b) *CIVIL ACTION.*—(1) *Any customer who is injured*
23 *by a violation of this chapter by an invention developer*
24 *or by any material false or fraudulent statement or rep-*
25 *resentation, or any omission of material fact, by an inven-*
26 *tion developer (or any agent, employee, director, officer,*

1 partner, or independent contractor of such invention devel-
2 oper) or by failure of an invention developer to make all
3 the disclosures required under this chapter, may recover in
4 a civil action against the invention developer (or the offi-
5 cers, directors, or partners of such invention developer) in
6 addition to reasonable costs and attorneys' fees, the greater
7 of—

8 “(A) \$5,000; or

9 “(B) the amount of actual damages sustained by
10 the customer.

11 “(2) Notwithstanding paragraph (1), the court may
12 increase damages to not more than 3 times the amount
13 awarded.

14 “(c) *REBUTTABLE PRESUMPTION OF INJURY.*—For
15 purposes of this section, substantial violation of any provi-
16 sion of this chapter by an invention developer or execution
17 by the customer of a contract for invention development
18 services in reliance on any material false or fraudulent
19 statements or representations or omissions of material fact
20 shall establish a rebuttable presumption of injury.

21 **“§ 57. Records of complaints**

22 “(a) *RELEASE OF COMPLAINTS.*—The Commissioner
23 shall make all complaints received by the Patent and Trade-
24 mark Office involving invention developers publicly avail-
25 able, together with any response of the invention developers.

1 **SEC. 404. EFFECTIVE DATE.**

2 *This title and the amendments made by this title shall*
3 *take effect 60 days after the date of the enactment of this*
4 *Act.*

5 **TITLE V—PATENT**
6 **REEXAMINATION REFORM**

7 **SEC. 501. SHORT TITLE.**

8 *This title may be cited as the “Patent Reexamination*
9 *Reform Act of 1996”.*

10 **SEC. 502. DEFINITIONS.**

11 *Section 100 of title 35, United States Code, is amended*
12 *by adding at the end the following new subsection:*

13 *“(e) The term ‘third-party requester’ means a person*
14 *requesting reexamination under section 302 of this title who*
15 *is not the patent owner.”.*

16 **SEC. 503. REEXAMINATION PROCEDURES.**

17 *(a) REQUEST FOR REEXAMINATION.—Section 302 of*
18 *title 35, United States Code, is amended to read as follows:*

19 **“§ 302. Request for reexamination**

20 *“Any person at any time may file a request for reex-*
21 *amination by the Office of a patent on the basis of any*
22 *prior art cited under the provisions of section 301 of this*
23 *title or on the basis of the requirements of section 112 of*
24 *this title except for the requirement to set forth the best mode*
25 *of carrying out the invention. The request must be in writ-*
26 *ing, must include the identity of the real party in interest,*

1 *and must be accompanied by payment of a reexamination*
2 *fee established by the Commissioner pursuant to the provi-*
3 *sions of section 41 of this title. The request must set forth*
4 *the pertinency and manner of applying cited prior art to*
5 *every claim for which reexamination is requested or the*
6 *manner in which the patent specification or claims fail to*
7 *comply with the requirements of section 112 of this title.*
8 *Unless the requesting person is the owner of the patent, the*
9 *Commissioner promptly shall send a copy of the request to*
10 *the owner of record of the patent.”.*

11 *(b) DETERMINATION OF ISSUE BY COMMISSIONER.—*
12 *Section 303 of title 35, United States Code, is amended to*
13 *read as follows:*

14 **“§ 303. Determination of issue by Commissioner**

15 *“(a) REEXAMINATION.—Not later than 3 months after*
16 *the filing of a request for reexamination under the provi-*
17 *sions of section 302 of this title, the Commissioner shall de-*
18 *termine whether a substantial new question of patentability*
19 *affecting any claim of the patent concerned is raised by the*
20 *request, with or without consideration of other patents or*
21 *printed publications. On the Commissioner’s initiative, at*
22 *any time, the Commissioner may determine whether a sub-*
23 *stantial new question of patentability is raised by patents*
24 *and publications or by the failure of the patent specification*
25 *or claims to comply with the requirements of section 112*

1 of this title except for the best mode requirement described
2 in section 302.

3 “(b) *RECORD*.—A record of the Commissioner’s deter-
4 mination under subsection (a) shall be placed in the official
5 file of the patent, and a copy shall be promptly given or
6 mailed to the owner of record of the patent and to the third-
7 party requester, if any.

8 “(c) *FINAL DECISION*.—A determination by the Com-
9 missioner pursuant to subsection (a) shall be final and non-
10 appealable. Upon a determination that no substantial new
11 question of patentability has been raised, the Commissioner
12 may refund a portion of the reexamination fee required
13 under section 302 of this title.”.

14 (c) *REEXAMINATION ORDER BY COMMISSIONER*.—Sec-
15 tion 304 of title 35, United States Code, is amended to read
16 as follows:

17 “§ 304. **Reexamination order by Commissioner**

18 “If, in a determination made under the provisions of
19 section 303(a) of this title, the Commissioner finds that a
20 substantial new question of patentability affecting a claim
21 of a patent is raised, the determination shall include an
22 order for reexamination of the patent for resolution of the
23 question. The order may be accompanied by the initial ac-
24 tion of the Patent and Trademark Office on the merits of

1 *the reexamination conducted in accordance with section 305*
2 *of this title.”.*

3 (d) *CONDUCT OF REEXAMINATION PROCEEDINGS.—*
4 *Section 305 of title 35, United States Code, is amended to*
5 *read as follows:*

6 **“§ 305. Conduct of reexamination proceedings**

7 “(a) *IN GENERAL.—Subject to subsection (b), reexam-*
8 *ination shall be conducted according to the procedures es-*
9 *tablished for initial examination under the provisions of*
10 *sections 132 and 133 of this title. In any reexamination*
11 *proceeding under this chapter, the patent owner shall be*
12 *permitted to propose any amendment to the patent and a*
13 *new claim or claims, except that no proposed amended or*
14 *new claim enlarging the scope of the claims of the patent*
15 *shall be permitted.*

16 “(b) *RESPONSE.—(1) This subsection shall apply to*
17 *any reexamination proceeding in which the order for reex-*
18 *amination is based upon a request by a third-party re-*
19 *quester.*

20 “(2) *With the exception of the reexamination request,*
21 *any document filed by either the patent owner or the third-*
22 *party requester shall be served on the other party.*

23 “(3) *If the patent owner files a response to any Patent*
24 *and Trademark Office action on the merits, the third-party*
25 *requester shall have 1 opportunity to file written comments*

1 *within a reasonable period not less than 1 month after the*
2 *date of service of the patent owner’s response. Written com-*
3 *ments provided under this paragraph shall be limited to*
4 *issues covered by the Patent and Trademark Office action*
5 *or the patent owner’s response.*

6 “(c) *SPECIAL DISPATCH.*—*Unless otherwise provided*
7 *by the Commissioner for good cause, all reexamination pro-*
8 *ceedings under this section, including any appeal to the*
9 *Board of Patent Appeals and Interferences, shall be con-*
10 *ducted with special dispatch within the Office.”.*

11 (e) *APPEAL.*—*Section 306 of title 35, United States*
12 *Code, is amended to read as follows:*

13 **“§ 306. Appeal**

14 “(a) *PATENT OWNER.*—*The patent owner involved in*
15 *a reexamination proceeding under this chapter—*

16 “(1) *may appeal under the provisions of section*
17 *134 of this title, and may appeal under the provisions*
18 *of sections 141 through 144 of this title, with respect*
19 *to any decision adverse to the patentability of any*
20 *original or proposed amended or new claim of the*
21 *patent; and*

22 “(2) *may be a party to any appeal taken by a*
23 *third-party requester pursuant to subsection (b) of*
24 *this section.*

1 “(b) *THIRD-PARTY REQUESTER.*—A *third-party*
2 *requester*—

3 “(1) *may appeal under the provisions of section*
4 *134 of this title, and may appeal under the provisions*
5 *of sections 141 through 144 of this title, with respect*
6 *to any final decision favorable to the patentability of*
7 *any original or proposed amended or new claim of*
8 *the patent; and*

9 “(2) *may be a party to any appeal taken by the*
10 *patent owner, subject to subsection (c) of this section.*

11 “(c) *PARTICIPATION AS PARTY.*—(1) *A third-party re-*
12 *quester who, under the provisions of sections 141 through*
13 *144 of this title, files a notice of appeal or who participates*
14 *as a party to an appeal by the patent owner is estopped*
15 *from asserting at a later time, in any forum, the invalidity*
16 *of any claim determined to be patentable on appeal on any*
17 *ground which the third-party requester raised or could have*
18 *raised during the reexamination proceedings.*

19 “(2) *A third-party requester is deemed not to have par-*
20 *ticipated as a party to an appeal by the patent owner un-*
21 *less, not later than 20 days after the patent owner has filed*
22 *notice of appeal, the third-party requester files notice with*
23 *the Commissioner electing to participate.”.*

1 (f) *REEXAMINATION PROHIBITED.*—(1) Chapter 30 of
2 title 35, United States Code, is amended by adding at the
3 end the following new section:

4 **“§ 308. Reexamination prohibited**

5 “(a) *ORDER FOR REEXAMINATION.*—Notwithstanding
6 any provision of this chapter, once an order for reexamina-
7 tion of a patent has been issued under section 304 of this
8 title, neither the patent owner nor the third-party requester,
9 if any, nor privies of either, may file a subsequent request
10 for reexamination of the patent until a reexamination cer-
11 tificate is issued and published under section 307 of this
12 title, unless authorized by the Commissioner.

13 “(b) *FINAL DECISION.*—Once a final decision has been
14 entered against a party in a civil action arising in whole
15 or in part under section 1338 of title 28 that the party
16 has not sustained its burden of proving the invalidity of
17 any patent claim in suit, then neither that party nor its
18 privies may thereafter request reexamination of any such
19 patent claim on the basis of issues which that party or its
20 privies raised or could have raised in such civil action, and
21 a reexamination requested by that party or its privies on
22 the basis of such issues may not thereafter be maintained
23 by the Office, notwithstanding any other provision of this
24 chapter.”.

1 (2) *The table of sections for chapter 30 of title 35,*
2 *United States Code, is amended by adding at the end the*
3 *following:*

 “308. *Reexamination prohibited.*”.

4 **SEC. 504. CONFORMING AMENDMENTS.**

5 (a) *BOARD OF PATENT APPEALS AND INTER-*
6 *FERENCES.*—*The first sentence of section 6(b) of title 35,*
7 *United States Code, as amended by section 117 of this Act,*
8 *is amended to read as follows: “The Board of Patent Ap-*
9 *peals and Interferences shall, on written appeal of an appli-*
10 *cant, or a patent owner or a third-party requester in a reex-*
11 *amination proceeding, review adverse decisions of exam-*
12 *iners upon applications for patents and decisions of exam-*
13 *iners in reexamination proceedings, and shall determine*
14 *priority and patentability of invention in interferences de-*
15 *clared under section 135(a) of this title.”.*

16 (b) *PATENT FEES; PATENT AND TRADEMARK SEARCH*
17 *SYSTEMS.*—*Section 41(a)(7) of title 35, United States Code,*
18 *is amended to read as follows:*

19 “(7) *On filing each petition for the revival of an*
20 *unintentionally abandoned application for a patent,*
21 *for the unintentionally delayed payment of the fee for*
22 *issuing each patent, or for an unintentionally delayed*
23 *response by the patent owner in a reexamination pro-*
24 *ceeding, \$1,250, unless the petition is filed under sec-*

1 Code, is amended by amending the first sentence to read
 2 as follows: “An applicant, a patent owner, or a third-party
 3 requester, dissatisfied with the final decision in an appeal
 4 to the Board of Patent Appeals and Interferences under sec-
 5 tion 134 of this title, may appeal the decision to the United
 6 States Court of Appeals for the Federal Circuit.”.

7 (e) *PROCEEDINGS ON APPEAL*.—Section 143 of title
 8 35, United States Code, is amended by amending the third
 9 sentence to read as follows: “In *ex parte* and reexamination
 10 cases, the Commissioner shall submit to the court in writing
 11 the grounds for the decision of the Patent and Trademark
 12 Office, addressing all the issues involved in the appeal.”.

13 (f) *CIVIL ACTION TO OBTAIN PATENT*.—Section 145
 14 of title 35, United States Code, is amended in the first sen-
 15 tence by inserting “(a)” after “section 134”.

16 **SEC. 505. EFFECTIVE DATE.**

17 This title and the amendments made by this title shall
 18 take effect on the date that is 6 months after the date of
 19 the enactment of this Act and shall apply to all reexamina-
 20 tion requests filed on or after such date.

21 **TITLE VI—MISCELLANEOUS**
 22 **PATENT PROVISIONS**

23 **SEC. 601. PROVISIONAL APPLICATIONS.**

24 (a) *ABANDONMENT*.—Section 111(b)(5) of title 35,
 25 United States Code, is amended to read as follows:

1 “(5) *ABANDONMENT*.—*Notwithstanding the ab-*
2 *sence of a claim, upon timely request and as pre-*
3 *scribed by the Commissioner, a provisional applica-*
4 *tion may be treated as an application filed under*
5 *subsection (a). If no such request is made, the provi-*
6 *sional application shall be regarded as abandoned 12*
7 *months after the filing date of such application and*
8 *shall not be subject to revival thereafter.”.*

9 **(b) *EFFECTIVE DATE***.—*The amendment made by sub-*
10 *section (a) applies to any provisional application filed on*
11 *or after June 8, 1995.*

12 **SEC. 602. INTERNATIONAL APPLICATIONS.**

13 *Section 119 of title 35, United States Code, is*
14 *amended—*

15 (1) *in subsection (a), by inserting “or in a WTO*
16 *member country” after “or to citizens of the United*
17 *States,”;*

18 (2) *in subsection (b), as amended by section 203*
19 *of this Act, by striking “patent office of the foreign*
20 *country” and inserting “foreign intellectual property*
21 *authority”; and*

22 (3) *by adding at the end the following new sub-*
23 *sections:*

24 “(f) *APPLICATIONS FOR PLANT BREEDER’S*
25 *RIGHTS*.—*Applications for plant breeder’s rights filed in*

1 *a WTO member country (or in a UPOV Contracting Party)*
2 *shall have the same effect for the purpose of the right of*
3 *priority under subsections (a) through (c) of this section*
4 *as applications for patents, subject to the same conditions*
5 *and requirements of this section as apply to applications*
6 *for patents.*

7 “(g) *DEFINITIONS.—As used in this section—*

8 “(1) *the term ‘WTO member country’ has the*
9 *same meaning as the term is defined in section*
10 *104(b)(2) of this title; and*

11 “(2) *the term ‘UPOV Contracting Party’ means*
12 *a member of the International Convention for the*
13 *Protection of New Varieties of Plants.’”.*

14 **SEC. 603. PLANT PATENTS.**

15 (a) *TUBER PROPAGATED PLANTS.—Section 161 of*
16 *title 35, United States Code, is amended by striking “a*
17 *tuber propagated plant or”.*

18 (b) *RIGHTS IN PLANT PATENTS.—The text of section*
19 *163 of title 35, United States Code, is amended to read as*
20 *follows: “In the case of a plant patent, the grant shall in-*
21 *clude the right to exclude others from asexually reproducing*
22 *the plant, and from using, offering for sale, or selling the*
23 *plant so reproduced, or any of its parts, throughout the*
24 *United States, or from importing the plant so reproduced,*
25 *or any parts thereof, into the United States.’”.*

1 (c) *EFFECTIVE DATE.*—*The amendment made by sub-*
2 *section (a) shall apply on the date of the enactment of this*
3 *Act. The amendment made by subsection (b) shall apply*
4 *to any plant patent issued on or after the date of the enact-*
5 *ment of this Act.*

6 **SEC. 604. JUST COMPENSATION FOR U.S. GOVERNMENT USE**
7 **OF PATENTS.**

8 (a) *COMPENSATION.*—*Section 1498(a) of title 28,*
9 *United States Code, is amended by adding at the end of*
10 *the first paragraph the following: “Reasonable and entire*
11 *compensation shall include the owner’s reasonable costs, in-*
12 *cluding reasonable fees for expert witnesses and attorneys,*
13 *in pursuing the action if the owner is an independent in-*
14 *ventor, a nonprofit organization, or an entity that had no*
15 *more than 500 employees at any time during the 5-year*
16 *period preceding the use or manufacture of the patented in-*
17 *vention by or for the United States.”.*

18 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
19 *section (a) shall apply to actions under section 1498(a) of*
20 *title 28, United States Code, that are pending on, or*
21 *brought on or after, the date of the enactment of this Act.*

22 **SEC. 605. ELECTRONIC FILING.**

23 *Section 22 of title 35, United States Code, is amended*
24 *by striking “printed or typewritten” and inserting “print-*
25 *ed, typewritten, or on an electronic medium”.*