OISS FORM 51 (Rev. 11-82)

CONGRESSIONAL RECORD
PROCEEDINGS AND DEBATES OF THE 99TH CONGRESS

SENATE

BILL	DATE	PAGE(S)
H.R.2434	OCT 18 '86 (145)	S17323-25

ACTION:

Patent and Trademark Office Authorizations: Senate concurred in the amendments of the House to Senate amendments to H.R. 2434, to authorize funds for the Patent and Trademark Office in the Department of Commerce.

Page S17323

PATENT AND TRADEMARK OFFICE AUTHORIZATION

Mr. DOLE. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on H.R. 2434.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the House agree to the amendments of the Senate numbered 1, 4, 5, 8, 9, 10, and 11 to the bill (H.R. 2434) entitled "An Act to authorize appropriations for the Patent and Trademark Office in the Department of Commerce, and for other purposes.".

Resolved, That the House agree to the amendment of the Senate numbered 2 to the aforesaid bill, with an amendment as follows:

In lieu of the amendment of the Senate numbered 2, insert:

(2)(a) Page 2, line 5, after "Fees.—", insert: *(1)*

(b) Page 2, line 7, after "paid", insert: on or after October 1, 1985,

(c) Page 2, line 9, strike out [(1)], and insert: *(A)*

(d) Page 2, line 12, strike out [(2)], and insert: *(B)*

(e) Page 2, after line 13, insert:

(2) Section 41 of title 35, United States Code, is amended by adding at the end the following new subsection:

"(h)(1) Fees charged under subsection (a) or (b) shall be reduced by 50 percent with respect to their application to any small business concern as defined under section 3 of the Small Business Act, and to any independent inventor or nonprofit organization as defined in regulations issued by the Commissioner of Patents and Trademarks.

"(2) With respect to its application to any entity described in paragraph (1), any surcharge or fee charged under subsection (c) or (d) shall not be higher than the surcharge of fee required of any other entity under the same or substantially similar circumstances.".

Resolved, That the House agree to the amendment of the Senate numbered 3 to the aforesaid bill, with an amendment as follows:

In lieu of the amendment of the Senate numbered 3, insert:

(3) Page 2, line 19, strike out [INCREASES OF], and insert: *OVERSIGHT OF AND LIMITATIONS ON*

Resolved, That the House agree to the amendment of the Senate numbered 6 to the aforesaid bill, with an amendment as follows:

In lieu of the matter inserted by said amendment, insert:

(C) REPORT OF CONGRESS.—The Secretary of Commerce shall, on the day which the President submits the annual budget to the Congress, provide to the Committees on the Judiciary of the Senate and the House of Representatives—

(1) a list of patent and trademark fee collections by the Patent and Trademark Office during the preceding fiscal year;

(2) a list of activities of the Patent and Trademark Office during the preceding fiscal year which were supported by patent fee expenditures, trademark fee expenditures, and appropriations;

(3) budget plans for significant programs, projects, and activities of the Office, including out-year funding estimates;

(4) any proposed disposition of surplus fees by the Office; and

(5) such other information as the committees consider necessary.

Resolved, That the House agree to the amendment of the Senate numbered 7 to the aforesaid bill with an amendment as follows:

In lieu of the matter inserted by said amendment, insert:

SEC. 5. CONGRESSIONAL OVERSIGHT AND LIMITATIONS ON THE USE OF FEE REVENUES FOR PROPOSED PURCHASE OF AUTOMATED DATA PROCESSING SYSTEMS.

(a) FUNDING OF AUTOMATED DATA PROCESSING RESOURCES.—

(1) ALLOCATIONS.—Of amounts available to the Patent and Trademark Office for automatic data processing resources for fiscal years 1987 and 1988, not more than 30 percent of such amounts in each such fiscal year may be from fees collected under section 31 of the Trademark Act of 1946 (15 U.S.C. 1113) and section 41 of title 35, United States Code. The Commissioner of Patents and Trademarks shall notify the Committees on the Judiciary of the Senate and the House of Representatives of any proposed reprogrammings which would increase or decrease the amount of appropriations expended for automatic data processing resources.

(2) USE OF REVENUES BY PATENT AND TRADEMARK OFFICE.—Except as otherwise specifically provided in this Act and section 42(c) of title 35, United States Code, the Patent and Trademark Office is authorized to use appropriated or apportioned fee revenues for any of its operations or activities.

(b) REPORT BY COMMISSIONER ON IMPLEMENTING AUTOMATION PLAN.—At least 90 calendar days before the date of implementation of each key deployment decision provided for in the revised master automation plan that was approved by the Secretary of Commerce and the Director of the Office of Management and Budget and that was submitted, in February 1986, to the Committees on the Judiciary of the Senate and the House of Representatives, the Commissioner of Patents and Trademarks shall report the proposed implementation to those committees. Each key deployment decision shall be approved by the designated Senior Official for Information Resources Management of the Department of Commerce before the report on the decision is made under the preceding sentence. Each such report on a key deployment decision shall include the cost and method of financing the deployment decision, including, where appropriate, a comparison with the cost benefit analysis contained in the revised automation master plan, as well as such other information as the committees consider necessary.

(c) PROHIBITION ON NEW OBLIGATIONS.—The Patent and Trademark Office may not enter into any new contract, or obligate any funds, to implement a key deployment decision described in subsection (b) until the expiration of 90 calendar days after the report with respect to such deployment decision is submitted under such subsection.

(d) EFFECTIVE DATE.—Subsections (b) and (c) take effect on January 1, 1987.

Mr. WEICKER. Mr. President, I rise today to urge my colleagues to support H.R. 2434, the Patent and Trademark Office authorization. I would like to commend the members of the Judiciary Committee for extending and making permanent a provision of law which is of vital concern to small business, independent inventors, and nonprofit entities in this Nation.

Public Law 97-247 established the Patent and Trademark Office in the Department of Commerce a two-tiered fee schedule to allow small businesses, independent inventors, and nonprofit entities to pay 50 percent, rather than 100 percent, of the cost of patent user fees. Under that laws, small firms pay $400 in filing and issuance fees and $1,200 in maintenance fees. The maintenance fees are paid 3½, 7½ and 11½ years into the life of the patent, thereby representing costs to the patent holder of $200, $400, and $600, respectively. This fee schedule is set forth by statute and requires one consumer price indexing adjustment every 3 years. Congress enacted the legislation in 1980 to ensure that the costs associated with the actual processing of patent applications would not preclude small businesses, independent inventors, and nonprofit organizations from applying for U.S. patents. This provision expired on September 30, 1986.

H.R. 2434 would make the small inventor subsidy a permanent part of the statute on patents, section 41 of title 35, United States Code, rather than relying on the vagaries of annual authorization bills. Specifically, the legislation provides that patent user fees shall be reduced by 50 percent with respect to their application to any small business concern as defined under section 3 of the Small Business Act, and to any independent inventor or nonprofit organization as defined in regulations issued by the Commissioner of Patents and Trademarks.

Mr. President, the record is clear that small firms and independent inventors are the most innovative sector of the business community. It is also clear that these entities cannot afford to pay the full costs of patent user fees without this subsidized fee schedule. The successful passage of this legislation will mark a great achievement for small businesses, independent inventors, and nonprofit organizations, and will make a vital contribution to the Nation's technological base by encouraging these entities to apply for U.S. patents. Therefore, I strongly urge my colleagues to support passage of H.R. 2434.

Mr. MATHIAS. Mr. President, the authorization for the Patent and Trademark Office [PTO], H.R. 2434, is now ready for favorable consideration by the full Senate. The measure before us embodies an agreement worked out between the Senate and the House, and approved by the other body on October 6.

Apart from some technical changes, the compromise bill before us makes three amendments to the bill as passed by the Senate on June 6. First, the compromise bill ensures that filing and other user fee subsidies for small businesses, independent inventors, and nonprofit organizations are continued as a permanent part of patent law. These subsidies were previously carried on through the triennial authorization of the PTO. This change ensures that user fees will not discourage innovation and use of the patent system by small entities.

Second, the compromise agreement on section 3(c) of H.R. 2434 regarding fee policy preserves the intent of the Senate passed bill while clarifying the purpose. Both the House and the Senate recognize the need to increase congressional oversight and authority over PTO expenditures. It is a fundamental aspect of congressional authority that the legislature retain control over the "power of the purse." As Madison wrote in Federalist 48, "The legislative department alone has access to the pockets of the people." Indeed, H.R. 2434 in its current form, and as originally passed by both Houses, relects that intent in sections 2, 3, 4, and 6. These sections along with the House and Senate Reports—House Report No. 99-104 and Senate Report No. 99-305—make important steps toward developing a PTO user fee policy responsive to congressional concerns.

Some funding questions remain unresolved, and section 3(c) is intended to provide Congress with more information to help in resolving them. Of particular concern is PTO's retention of user fees. Office retention of fee collections provides greater spending flexibility. However, both Houses agree that this spending flexibility should not be purchased at the price of diminished congressional authority or reduced public accountability.

Congress needs to examine not the concept of charging fees for certain activities, but whether user fees should be retained by the Patent Office and, if so, how they may be spent. This problem is particularly vexing because of the Office's ever-increasing reliance on user fees.

Further, both Houses of Congress agree that the Patent Office needs a clearer user fee policy. More information is needed to ensure that user fee decisions are made in the public interest. Although all fee increases are subject to the maximum limitations provided by this bill and current law, a clearer link needs to be forged between the fee policy and the justifications for fee increases, even if these in-

creases are within statutorily specified limitations—see Senate report No. 99-305, pages 6-8 and 15-16.

Another issue with respect to retention and use of fees concerns the appropriateness of funding certain Patent Office activities with user fees. Some have questioned the use of fees to offset the costs of activities that benefit the general public. However, the Senate believes that all activities funded by the Office—whether supported by appropriations or fees—should provide a public benefit. In the Senate's view, the existence of a general public benefit is not dispositive of the appropriate funding source for a particular type of activity. Rather, the extent of private benefits determines whether it is appropriate to charge a fee for that activity. It is important to note that if fees were not retained by the Office, this entire issue would be moot.

The third and final amendment to the Senate passed bill is found in section 5. In addition to the increased oversight established over user fees, section 5 of the bill provides more effective congressional review of the Office's automation plan. Both Houses agree on the need to maintain the ambitious automation project and to increase the oversight of the Patent Office's automation efforts. But the means to that end differed in the legislation originally passed by each House. This bill represents a hybrid of the two positions and as in the user fee compromise, come questions remain unresolved.

Initially, the House of Representatives sought to increase oversight by requiring that all automation spending for both patents and trademarks come solely from appropriated funds. The Senate, on the other hand, did not specify what type of funds—tax-funded appropriations or user fees—could be used to pay for automation. Instead, the Senate based its position on the principle that the type of funding used to underwrite automation should not determine the level of congressional oversight.

In practice, the Senate did not want excess fees to accumulate that could not be reprogrammed into other areas of the budget. Automation is a major expense of the Office's budget and user fees are the major funding source. If user fees could not pay for any part of automation, the automation program would either have to be sharply reduced or public support dramatically increased. The former alternative was unacceptable and the latter unlikely. In any case, both alternatives would leave excess fees that could not be used.

The Senate provided for enhanced oversight through periodic review of the automation program by the Department of Commerce and OMB as well as Congress. In addition, the Senate required the PTO to submit a report 90 days prior to implementing each of the key automation stages—outlined in the Senate report No. 99-305.

The agreement before us harmonizes the House and Senate positions. The compromise requires that only 30 percent of the entire automation project may be paid for by user fees in fiscal years 1987 and 1988. As Representatives KASTENMEIER and MOORHEAD made clear in their statements before the House when it adopted this amendment on October 6, this agreement does not set a precedent for future authorizations. Congress is not suggesting that this particular mix of fees and appropriations is appropriate for future authorizations. It may be that either less or more user fee revenue will be used to fund automation in the future. However, any restrictions on fee spending must take into account the reality that user fees are and will continue to be the major source of PTO funds. As previously mentioned, Congress needs to reexamine the funding issue. If the reliance on retained user fees reduces congressional oversight or office accountability of automation or any activity, then Congress should not allow the PTO to keep this authority.

Mr. President, with this explanation in mind, the Senate should act favorably on H.R. 2434 as passed by the House on October 6, 1986.

The compromise before us is workable and fair, and reflects the best efforts of the most active parties—Representatives KASTENMEIER, MOORHEAD, and BROOKS on the House side, and Senator LEAHY and myself on the Senate side—to reach an agreement on this needed legislation. I urge the Senate to concur in the House amendment, and to send the bill on to the President for his signature.

Mr. DOLE. Mr. President, I move that the Senate concur in the House amendments.

The motion was agreed to.

Mr. DOLE. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.