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109TH CONGRESS, 2d Session } HOUSE OF REPRESENTATIVES { REPORT 109–372

UNITED STATES PATENT AND TRADEMARK FEE MODERNIZATION ACT OF 2005

FEBRUARY 8, 2006.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SENSENBRENNER, from the Committee on the Judiciary, submitted the following

R E P O R T

[To accompany H.R. 2791]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 2791) to amend title 35, United States Code, with respect to patent fees, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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PURPOSE AND SUMMARY

The primary purpose of H.R. 2791, the "United States Patent and Trademark Fee Modernization Act of 2005," is to make permanent a new fee schedule that funds the operations of the U.S. Pat-

ent and Trademark Office (USPTO).[1] This legislation also prevents future "diversion" of USPTO funds to programs unrelated to the agency. H.R. 2791 is substantially similar to H.R. 1561, which was introduced during the 108th Congress and passed the House by a rollcall vote of 379–28.[2]

Permanent enactment of the fee schedule is a necessary precursor to implementation of other administrative changes set forth in the USPTO's "Strategic Business Plan" (The Plan). The Plan was developed pursuant to a congressional mandate eventually codified in the "21st Century Department of Justice Appropriations Authorization Act."[3] It is designed to implement reforms that will enhance patent and trademark quality and reduce application pendency and backlogs at the agency.

Additionally, given that the USPTO is completely funded through the imposition of user fees, the ongoing appropriations practice of diverting a percentage of fee revenue to non-USPTO use is of great concern to Congress, inventors, and trademark filers. Representatives of the "user" community have stated that their members are not opposed to reasonable fee increases as reflected in Pub. L. No. 108–447, but are concerned that the unused agency revenue will be diverted to non-agency use. Section 5 of H.R. 2791 adresses this "anti-diversion" sentiment by creating a "refund" program to eliminate the potential incentive for diversion.

BACKGROUND AND NEED FOR THE LEGISLATION

REVISED 21ST CENTURY STRATEGIC PLAN

In General. The "21st Century Department of Justice Appropriations Authorization Act" required the USPTO to develop a 5-year strategic plan to address problems regarding quality, pendency, and delays in implementing a fully electronic patent environment at the agency. Congress specifically directed the USPTO to identify corrective measures other than hiring more examiners, and to implement electronic processing for patents by FY 2004.

Since June 2002, the USPTO revised its plan in response to suggestions from Congress and the user community.[4] In its now revised Plan, the agency has addressed these issues and identified goals and initiatives that are largely supported by the major trade associations that represent patent and trademark filers.[5] While the

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[1] The fee schedule is set forth in Title VIII of division B of the Consolidated Appropriations Act, 2005 (35 U.S.C. § 41 note; Pub. L. No. 108–447; 118 Stat. 2924).

[2] H.R. 1561, 108th Cong., 1st Sess. (2003) (Rep. Smith (TX), sponsor). The floor vote occurred on March 3, 2004.

[3] Pub. L. No. 107–273, §§ 13101–13104.

[4] *See The U.S. Patent and Trademark Office: Fee Schedule Adjustment and Agency Reform: Oversight Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Comm. on the Judiciary,* 107th Cong., 2nd Sess., Final Print Serial No. 92 (2002). A transcript of this hearing may also be accessed at the Committee website: *www.house.gov/judiciary/courts.*

[5] Letter from Carl B. Feldbaum, President, Biotechnology Industry Organization, to the Honorable Mitchell E. Daniels, Jr., Director, Office of Management and Budget (November 25, 2002); joint letter from Ronald E. Myrick, President, American Intellectual Property Law Association; John K. Williamson, President, Intellectual Property Owners Association; and Nils Victor Montan, President, International Trademark Association, to Director Daniels (November 22, 2002); letter from Mark T. Banner, Chair, and Charles P. Baker, Immediate Past Chair, Section of Intellectual Property Law, the American Bar Association, to Director Daniels (November 22, 2002). It should be noted, however, that the signatories qualified their support of the fee increases and other changes upon the Administration "effectively [addressing] the issue of diversion" (Myrick, Williamson, Montan, Banner, and Baker) or "[taking] steps to stop diversion" (Feldbaum).

agency has demonstrated a commitment to embrace top-to-bottom reform consistent with congressional mandates, it is equally clear that USPTO requires additional revenue to implement these changes. As former USPTO Director James Rogan noted:

> [Implementation of the revised Strategic Plan] hinges on passage of [a new fee schedule that will generate greater revenue]. Without the ability to hire and train new examiners and also improve infrastructure, our hands will be tied. . . . The consequences of failing to enact the fee bill and giving the [USPTO] access to those fees will mean quality and pendency will continue to significantly suffer. We will be unable to hire needed examiners, and over 140,000 patents will not be issued over the next 5 years. The inventory of unexamined patent applications will skyrocket to a backlog of over one-million applications by 2008—more than double the current amount—and pendency (as measured from the time of filing) will jump to over 40 months average in the next few years. This would represent the highest pendency rate in decades.[6]

In a related matter, the Honorable Donald Evans, Secretary of Commerce, testified at a March 6, 2003, hearing before the Subcommittee on Commerce, Justice, State and Judiciary of the House Committee on Appropriations. According to a USPTO news release dated March 7, 2003, the Secretary stated that "the Department is working to eliminate the practice of using [agency] revenues for unrelated Federal programs."

[6] *H.R. 1561, the "Patent and Trademark Fee Modernization Act of 2003" hearing before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Comm. on the Judiciary,* 108th Cong., 1st Sess. (written testimony of the Honorable James E. Rogan, Under Secretary of Commerce for Intellectual Property and Director of the USPTO).

Summary of Basic Fee Schedule Changes to be Made Permanent under H.R. 2791.

Patent Large Entity	Old Fee	Current Fee
Filing	$750	$300
Search	NA	$500*
Examination	NA	$200*
Pre-Grant Publication	$300	$300
Issue	$1,300	$1,400
Maintenance (1st Stage)	$890	$900
Maintenance (2nd Stage)	$2,050	$2,300
Maintenance (3rd Stage)	$3,150	$3,800
TOTAL	$8,440	$9,700
Patent Small Entity		
Filing	$375	$150
Search	NA	$500*
Examination	NA	$100*
Pre-Grant Publication	$300	$300
Issue	$650	$700
Maintenance (1st Stage)	$445	$450
Maintenance (2nd Stage)	$1,025	$1,150
Maintenance (3rd Stage)	$1,575	$2,500
TOTAL	$4,370	$5,250
Trademark		
Application (Paper)	$335	$375
Application (Electronic)	NA	$325
Application (Expedited)	NA	$275

(*Refundable in part depending upon stage of express abandonment.)

In addition to these basic fees, the revised Plan contains other recommendations that would create new or higher fees based on the complexity of a submitted application. For example, applications with drawings and specifications that exceed 100 pages are subject to a $250 fee for each additional block of 50 pages, while applications that feature four or more independent claims or more than 20 total claims would be subject to higher fees. These new or higher fees reflect the administrative reality that larger and more complex applications are more time-consuming for the agency to process.

Other Highlights. The full text of the original Plan exceeds 300 pages. In a 17-page summary, which may be accessed at the USPTO website *(www.uspto.gov),* the agency indicates, among other things, that it is pursuing or wishes to pursue the following high-profile changes as part of the revised version:

—*Out-sourcing of search function.* The functions of searching and examination would be split, which would include "out-sourcing" some search duties to private firms. (Pursuant to § 2(c) of H.R. 2791, however, the practice of out-sourcing the search function must initially be limited to a pilot project);

—*Certification of USPTO employees.* USPTO workers would be subject to a more extensive employee review and certification process;

—*Bilateral and Multilateral Trade Agreements.* More trade agreements would be negotiated to "facilitate global convergence of patent standards;" and

—*Ramping-up of paperless operations.* Changes would be made to expedite the comprehensive implementation of an electronic communications system.

The Committee on the Judiciary will continue its oversight of USPTO operations throughout the 109th Congress. This will include conducting any necessary oversight hearings and responding to appropriate legislative requests that will assist the agency in its efforts to reduce pendency and backlogs and to improve patent and trademark quality consistent with the directives set forth in §§ 13101–13104 of the "21st Century Department of Justice Appropriations Authorization Act."

USPTO FUNDING DIVERSION HISTORY

Amid funding scarcity in 1982, Congress dramatically increased fees associated with obtaining and maintaining trademark registrations and patents to recover the costs of processing patent and trademark applications. By 1990, approximately 80 percent of USPTO operations were funded through user fees. In an effort to reduce public expenditures and the national debt, Congress enacted the Omnibus Budget Reconciliation Act (OBRA), which, among other things, transformed the USPTO into a wholly fee-supported agency. To compensate for the remaining taxpayer revenue that would be withdrawn, OBRA imposed a massive statutory patent fee increase (referred to as a "surcharge") on American inventors for a 5-year period.

As part of this budget agreement, a scoring system was adopted to ensure that savings would be accurately tracked through the appropriations process. To this end, Congress mandated that the income from the surcharge be deposited into a specially-created surcharge fund in the Treasury. Unlike other fees collected by USPTO, those in the surcharge fund counted against the expenditure cap of the appropriators. This meant that every dollar not spent from the surcharge fund would enable the appropriators to spend another taxpayer dollar to underwrite a different (non-USPTO) initiative.

Initially, Congress appropriated the total amount deposited in the fund to USPTO. After only 1 year, however, Congress began to withhold a portion of the amount deposited in the surcharge fund annually so that it could funnel additional money to other programs. Compounding the problem, Congress extended the OBRA surcharge provisions for an additional 3 years to take further advantage of the arrangement and later increased the statutory fees to compensate for the lapse of the surcharge after it expired at the end of fiscal year 1998.

By denying USPTO the ability to spend fee revenue in the same fiscal year in which it collects the revenue, the appropriators may spend an equivalent amount on some other program without exceeding their budget caps. Although the money is technically available to USPTO the following year, it has already been spent. The

legislative response to this funding problem has been to increase the amount of fee collections unavailable to USPTO in each succeeding fiscal year. As a result, more than $700 million has been diverted from USPTO over the past 11 fiscal years.

USPTO FUNDING DIVERSION: PREVIOUS JUDICIARY COMMITTEE ACTION

Previous attempts by the House Judiciary Committee's Subcommittee on Courts, the Internet, and Intellectual Property to end fee diversion have been met with little success. During the 106th Congress, Rep. Coble offered an amendment to the House version of the Commerce-Justice-State appropriations vehicle[7] to restore nearly $134 million in USPTO funding for Fiscal Year 2001 by reducing the budgets for three other programs in the bill by an identical amount. Despite a 2½-hour debate on the amendment, it ultimately failed by a substantial margin (145–223).

In the succeeding Congress, the Subcommittee reviewed, as part of a USPTO oversight hearing, measures that would have: (1) cut the appropriators out of the USPTO funding process directly;[8] and (2) created a new point of order against any House bill to deny the agency full funding.[9] Due to indications that these measures did not have the general support of Congress, no further action was taken.

During the 108th Congress, the House passed H.R. 1561, which adjusted the old (pre-December 8, 2004) fee schedule by raising fees an average of 15 percent. The bill also created a mechanism to remit unspent fee revenue to USPTO users, a pilot program to gauge the efficacy of out-sourcing the examiner "search" function, and miscellaneous protections for small businesses and "independent inventors." As noted, H.R. 2791 is based on the contents of H.R. 1561.

ADMINISTRATION AND COMMITTEE BUDGET SUBMISSIONS FOR FISCAL YEAR 2006

The Committee proposes to authorize the USPTO to collect and spend $1,703,300,000, subject to appropriation acts, from fee collections in FY 2006 to cover operating expenses, including the payment of retirement benefits for employees. This amount is derived from user fees paid by patent and trademark applicants or from fees for other services provided by USPTO. It reflects a conservative estimate of a minimum 5 percent increase in patent application filings above the prior year. No taxpayer funds are expected or recommended.

The Administration has requested $1,703,300,000 for USPTO operations in FY 2006, derived from offsetting collections assessed and collected pursuant to 15 U.S.C. § 1113 (trademarks) and 35 U.S.C. §§ 41 and 376 (patents).

In its submission, Judiciary Committee members emphasized that they strongly support the full-funding of USPTO and the elimination of any incentive to use agency revenues for non-USPTO

[7] H.R. 4690, 106th Cong., 2nd Sess. (2000).

[8] H.R. 740, 107th Cong., 1st Sess. (2001) (Rep. Coble, sponsor). Note that H.R. 4034, the precursor bill to H.R. 740, was reported by Committee on the Judiciary and placed on the Union Calendar during the 106th Congress. Its consideration was ultimately denied as a result of opposition from the appropriators.

[9] H. Res. 110, 107th Cong., 1st Sess. (2001) (Representative Howard Berman, sponsor).

purposes. All revenue generated under the new fee schedule, adopted as part of the Consolidated Appropriations Act of 2005, is necessary to implement the USPTO 21st Century Strategic Business Plan, including proposed quality initiatives, e-government initiatives, and enhanced patent processing.

The Committee on the Judiciary has pledged to work with the House Leadership and the Committee on Appropriations to end the practice of user-fee diversion without compromising the ability of the Committee on Appropriations to conduct oversight of USPTO activities.

The relevant appropriations vehicle funding USPTO in the 109th Congress is H.R. 2862, which the House passed on June 16, 2005. The Senate passed its own version on September 15, 2005, under the same bill number. Both drafts include "full" funding for USPTO in Fiscal Year 2006, consistent with the House Judiciary request of $1,703,300,000.

Because of other differences between the two drafts, a House-Senate conference was convened. It produced Conference Report 109–272 that includes $1,683,086,000 for agency operations in Fiscal Year 2006. The House approved this measure on November 9, 2005, by a rollcall vote of 379–19. The Senate approved this measure on November 16, 2005 by a vote of 94–5 and President Bush signed it into law on November 22, 2005.[10]

HEARINGS

The House Committee on the Judiciary held no hearings on H.R. 2791.

COMMITTEE CONSIDERATION

On June 28, 2005, the Subcommittee on Courts, the Internet, and Intellectual Property met in open session and ordered favorably reported the bill H.R. 2791, by voice vote, a quorum being present. On November 9, 2005, the Committee met in open session and ordered favorably reported the bill H.R. 2791, by voice vote, a quorum being present.

VOTE OF THE COMMITTEE

In compliance with clause 3(b) of Rule XIII of the Rules of the House of Representatives, the Committee notes that there were no recorded votes during the Committee consideration of H.R. 2791.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of Rule XIII of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of Rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

[10] Pub. L. No. 109–108.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of Rule XIII of the Rules of the House of Representatives is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 3(c)(3) of Rule XIII of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill, H.R. 2791, the following estimate and comparison prepared by the Director of the Congressional Budget Office under the section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, December 5, 2005.

Hon. F. JAMES SENSENBRENNER, Jr., *Chairman,*
Committee on the Judiciary,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2791, the United States Patent and Trademark Fee Modernization Act of 2005.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Melissa Z. Petersen (for Federal costs), who can be reached at 226–2860, Sarah Puro (for the state and local impact), who can be reached at 225–3220, and Paige Piper/Bach (for the private-sector impact), who can be reached at 226–2940.

Sincerely,

DOUGLAS HOLTZ-EAKIN.

Enclosure

cc: Honorable John Conyers, Jr.
Ranking Member

H.R. 2791—United States Patent and Trademark Fee Modernization Act of 2005.

SUMMARY

H.R. 2791 would permanently increase the fees that the Patent and Trademark Office (PTO) collects for activities related to the processing and filing of patent and trademark applications. Under current law, a temporary fee increase expires at the end of fiscal year 2006. In addition, H.R. 2791 would require the Director of the PTO to refund fees paid by those seeking services from the PTO that are in excess (if any) of the amounts appropriated for the PTO each year. Those fees are recorded in the budget as offsetting collections credited against discretionary appropriations.

Under the bill, CBO estimates that PTO fees would increase by 15 percent a year starting in fiscal year 2007 compared to fees that will be collected under current law. The bill would not affect the fee rates assessed in fiscal year 2006. Assuming appropriation of all fees collected by the PTO, CBO estimates that implementing H.R. 2791 would decrease PTO's net spending subject to appropriation by about $43 million in 2007 and $54 million over the 2007–2010 period due to the lag in time between when PTO fees are col-

lected and spent. CBO estimates that enacting the bill would increase direct spending by $52 million in 2007 for refunding PTO fees to those who will pay fees in 2006 in excess of the amount appropriated. Enacting the bill would not affect revenues.

H.R. 2791 would impose both intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on patent and trademark applicants. CBO estimates that the costs of the intergovernmental mandates would not exceed the threshold ($62 million in 2005, adjusted annually for inflation) established in that act. CBO cannot determine whether the costs of the mandate would exceed the annual threshold for private-sector entities established in UMRA ($123 million in 2005, adjusted annually for inflation), because UMRA does not specify how CBO should measure the costs of extending an existing mandate. Depending on how they are measured, the costs to the private sector could exceed the threshold.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2791 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

By Fiscal Year, in Millions of Dollars

	2006	2007	2008	2009	2010
CHANGES IN SPENDING SUBJECT TO APPROPRIATION[1]					
Increase in PTO Fees Under H.R. 2791					
Estimated Authorization Level	0	–240	–255	–270	–285
Estimated Outlays	0	–240	–255	–270	–285
Increase in PTO Spending Under H.R. 2791					
Estimated Authorization Level	0	240	255	270	285
Estimated Outlays	0	197	250	267	282
Net Change in PTO Spending Under H.R. 2791					
Estimated Authorization Level	0	0	0	0	0
Estimated Outlays	0	–43	–5	–3	–3
CHANGES IN DIRECT SPENDING					
Refunded PTO Fees					
Estimated Budget Authority	0	52	0	0	0
Estimated Outlays	0	52	0	0	0

1. For 2006, the PTO received a gross appropriation of $1,683 million, and CBO estimates that amount will be offset by $1,735 million in fee collections.

BASIS OF ESTIMATE

Under current law, the PTO is authorized to collect fees from the public for specific activities related to processing applications for patents and trademarks. The agency assesses and collects fees for a number of different activities, and the rate for each is set in law. The collection and spending of those fees are subject to provisions in annual appropriation acts, and the fees are recorded in the budget as offsets to the discretionary spending of the PTO. CBO estimates that the agency will collect a total of about $1,735 million in fees in 2006, which will offset $1,683 million of appropriated funding for that year, resulting in an estimated net appropriation of –$52 million.

H.R. 2791 would change the fees that the PTO charges for activities relating to processing applications for patents and trademarks. The bill also would require that any fees collected by the PTO but

not appropriated for PTO operating expenses be refunded (on a proportional basis) to those who paid the fees. Assuming that all amounts collected by the agency are appropriated for its use, CBO estimates that the bill would decrease spending subject to appropriation by $43 million in 2007 and $54 million over the 2007–2010 period due to the lag in the time between when PTO fees are collected and spent. CBO estimates that enacting H.R. 2791 would increase direct spending by $52 million in 2007 for refunding PTO fees that will be collected during 2006. Enacting the bill would not affect revenues.

Spending Subject to Appropriation

Beginning in 2005, the fee rates that the PTO charges for activities related to patent and trademark applications were temporarily increased. Under current law, those increased fee rates will expire at the end of 2006. H.R. 2791 would permanently extend the fee increase. For example, under current law, the fee the PTO charges for issuing an original patent (other than design or plant patents) is $1,400 in 2006 but will decrease to $1,300 starting in 2007. Under H.R. 2791, that rate would remain at $1,400. Rates are set in law for several dozen categories of fees that support funding of the PTO, but the collection of fees is contingent on appropriation action.

Based on the historical demand for PTO services, CBO estimates that the amount collected under the current PTO fee structure will decrease from $1,735 million in 2006 to $1,600 million in 2007 because of the expiring fee rates. After accounting for the higher fee rates under H.R. 2791, CBO estimates that PTO fees would increase by about 15 percent starting in 2007 compared with the fee rates that will apply under current law. Relative to the collections that would occur under current law, CBO estimates that implementing the bill would increase fees collected by the PTO by $240 million in 2007 and about $1 billion over the 2007–2010 period.

CBO estimates that the PTO's collections under current law, together with the additional collections resulting from the increased fee rates under the bill, would be $1,840 million in 2007 and would total $7,925 million over the 2007–2010 period. By comparison, the agency collected $1,504 million in 2005, and CBO estimates that it will collect $1,735 million in 2006.

Net discretionary spending for the PTO in 2007 and later years depends on future appropriation acts. Future appropriation acts could provide the PTO with more or less spending authority than the agency receives from fee collections. If H.R. 2791 is enacted, however, future appropriation acts that provide less funding for the PTO than the agency's actual fee collections would result in an expenditure to refund the fees not appropriated to PTO. This expenditure would occur in the subsequent fiscal year and would be considered an advance appropriation.

Direct Spending

H.R. 2791 would direct the PTO to refund a proportionate share of the fees that are not appropriated for the PTO's operating expenses to those who paid the fees in each fiscal year. In general, patent and trademark fee collections cover the PTO's operating expenses. The 2006 appropriation act for the PTO, however, places a

limit on the amount of fee collections that the agency can spend. Of the $1,735 million in PTO fees that CBO estimates will be collected in 2006, the act allows the PTO to spend about $1,683 million, resulting in an estimated net appropriation of –$52 million for that year.

Under the bill, the refund would apply to fee collections in excess of appropriated spending for each year starting with fiscal year 2005. For 2005, actual fee collections almost fully offset appropriated spending. (Actual collections were about $1,504 million and the 2005 appropriation act provided $1,509 million). For that reason, CBO estimates that enacting H.R. 2791 would not result in a refund for 2005.

For 2006, CBO estimates that PTO fee collections will exceed funding provided in the 2006 appropriation act by $52 million. Under H.R. 2791, the PTO would be required to refund the excess fee collections to those who paid fees during 2006. CBO estimates that enacting H.R. 2791 would increase direct spending in 2007 by $52 million for refunding the fees.

INTERGOVERNMENTAL AND PRIVATE SECTOR IMPACT

H.R. 2791 would impose both intergovernmental and private-sector mandates, as defined in UMRA, on patent and trademark applicants. CBO estimates that the costs of the intergovernmental mandates would not exceed the threshold ($62 million in 2005, adjusted annually for inflation) established in that act. CBO cannot determine whether the costs of the mandate would exceed the annual threshold for private-sector entities established in UMRA ($123 million in 2005, adjusted annually for inflation) because UMRA does not specify how CBO should measure the costs of extending an existing mandate. Depending on how they are measured, the costs to the private sector could exceed the threshold.

The requirement to pay patent and trademark fees is a mandate because the Federal Government controls the trademark and patent systems, and no reasonable alternatives to the systems exist. Under current law, temporary fee increases will expire at the end of fiscal year 2006. The bill would permanently increase the fees that the Patent and Trademark Office would collect starting in fiscal year 2007.

In the case of a mandate that has not yet expired, UMRA does not specify whether CBO should measure the cost of the extension relative to the mandate's current costs or assume that the mandate will expire and that it must measure the costs of the mandate's extension as if the requirement were new. Measured against the costs that would be incurred if current law remains in place and the PTO fees decline, the total costs of extending this mandate would be $240 million in 2007 and rise to $285 million in 2010, with 1 percent to 2 percent of those costs accruing to intergovernmental entities. Measured that way, the cost of the mandate would exceed the annual threshold for the private sector as defined in UMRA. By contrast, measured against the fees in place for fiscal year 2006, the mandate would impose no additional costs because the fees under the bill would not differ from those currently in effect. Measured either way, the costs to intergovernmental entities would be small.

In addition, if fee collections for a fiscal year exceed the amount appropriated to the PTO for that year, the bill would require the Director of the PTO to make payments to entities who paid PTO fees during that fiscal year. For fiscal year 2006, based on the appropriation of $1,683 million for the PTO and the CBO estimate of $1,735 million for fees collected, CBO estimates that the bill would provide for refund payments of $52 million, with most of those payments going to the private sector. For other years, the total amount of payments refunded, if any, under this provision would depend on the level of future appropriations.

ESTIMATE PREPARED BY:

Federal Costs: Melissa Z. Petersen (226–2860)
Impact on State, Local, and Tribal Governments: Sarah Puro (225–3220)
Impact on the Private Sector: Paige Piper/Bach (226–2940)

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis

PERFORMANCE GOALS AND OBJECTIVES

H.R. 2791 will allow the USPTO to reduce application backlogs and pendency without compromising patent quality. This general goal is consistent with the agency's "Strategic Plan" and related Congressional directives since the 107th Congress regarding agency operations. The Committee will monitor progress by the USPTO in this regard, especially concerning the hiring of new examiners and retention of experienced examiners. The Committee also believes that enactment of H.R. 2791 will help to spur greater use of electronic filing by applicants.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of Rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in article I, § 8 of the Constitution.

SECTION-BY-SECTION ANALYSIS AND DISCUSSION

Sec. 1. Short Title. Section 1 sets forth the short title of the bill, the "United States Patent and Trademark Office Fee Modernization Act of 2005."

Sec. 2. Fees for Patent Services. Section 2 prescribes the dollar amounts for certain corresponding "general" patent and patent application fees set forth in 35 U.S.C. § 41(a) and (b). Section 2 also provides for the establishment of a search fee under 35 U.S.C. § 41(d). Section 41 now specifies a search fee (subsection (d)(1)) and an examination fee (subsection (a)(3)) that are separate from the filing fee (subsection (a)(1)).

Section 41(a)(1) sets out the filing fees for applications filed under § 111 of the patent code (original or reissue) and the basic national fee for Patent Cooperation Treaty (PCT) international applications (filed under the treaty defined in § 351(a) of the patent code) entering the national stage under § 371 of the patent code.

Under § 41(a)(1), the filing fees for applications filed under § 111 are as follows: (1) the filing fee for an application for an original patent, except for design, plant, or provisional applications, is $300; (2) the filing fee for an application for an original plant patent is $200; (3) the filing fee for an application for an original design patent is $200; (4) the filing fee for a provisional application is $200; and (5) the filing fee for an application for the reissue of a patent is $300. Under § 41(a)(1), the basic national fee for any PCT international application entering the national stage under § 371 is $300.

Under § 41(a)(1)(G), there is an additional fee for any application whose specification and drawings, excluding any sequence listing or computer program listing filed in an electronic medium as prescribed by the Director, exceeds 100 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium). The additional fee under § 41(a)(1)(G) is $250 for each additional 50 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium, excluding any sequence listing or computer program listing) or fraction thereof. Sequence listings or computer program listings filed in an electronic medium as prescribed by the Director are excluded to encourage applicants to file any sequence listing or computer program listing in the appropriate electronic medium.

Section 41(a)(2) sets out the excess claims fees for each independent claim in excess of 3 and for each claim (whether dependent or independent) in excess of 20, and the fee for an application containing a multiple dependent claim. The excess claims fees required by § 41(a)(2) are due at the time of presentation of the claim for which payment is required (whether on filing or at a later time) in the application or reexamination proceeding.

Under § 41(a)(2)(A), the excess claims fee for each claim in independent form in excess of 3 is $200. Under § 41(a)(2)(B), the excess claims fee for each claim (whether dependent or independent) in excess of 20 is $50. Under § 41(a)(2)(C), the fee for each application containing a multiple dependent claim is $360.

Section 41(a)(3) sets out the examination fees for all applications (except for provisional applications), including PCT international applications entering the national stage under § 371. The examination fee for each application for an original patent, except for a design, plant, or international application, is $200. The examination fee for each original design patent is $130. The examination fee for each original plant patent is $160. The examination fee for the national stage of an international application is $200. And, the examination fee for each reissue application is $600. The examination fees for patent applications are set at amounts that do not recover the USPTO's costs of examining patent applications. The USPTO's costs of examining applications are subsidized by issue and maintenance fees under §§ 41(a)(4) and 41(b)).

Under § 41(a)(3), the provisions of § 111(a)(3) for payment of the fee for filing the application apply to the payment of the examination fee specified in § 41(a)(3) with respect to an application filed under § 111(a), and the provisions of § 371(d) for the payment of the national fee apply to the payment of the examination fee specified in § 41(a)(3) with respect to a PCT international application entering the national stage under § 371. Thus, the examination fee is

due on filing for an application filed under § 111(a) or on commencement of the national stage for a PCT international application. The examination fee, however, may be paid at a later time if paid within such period and under such conditions (including payment of a surcharge) as may be prescribed by the Director.

Section 41(a)(3) provides that the Director may prescribe regulations to provide a refund of any part of the examination fee specified in § 41(a)(3) for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under § 131. Under the former patent fee structure, an applicant who after paying the filing fee had determined that it was not worthwhile to proceed with the application had no motivation to terminate the application process prior to receiving a first Office action by the USPTO because the entire filing fee was a sunk cost under that fee structure. Under the revised patent fee structure, such an applicant will be motivated to terminate the application process before an examination of the application under § 131 because the applicant may obtain a refund of the examination fee under § 41(a)(3) (as well as the search fee under § 41(d)(1)), less any portion retained by the USPTO, if the applicant terminates the application process by filing a written declaration of express abandonment as prescribed by the Director before an examination (including any search) has been made of the application under § 131. This provision authorizes the USPTO to fix (based upon when an application is expected to be taken up for search and examination) a time by which a written declaration of express abandonment must be filed for an application to obtain such a refund, and develop procedures for informing applicants of when this time will occur.

The revised patent fee structure will permit the applicant to use the period between the filing date of an application and when the application is about to be taken up for action by the examiner to determine whether the invention claimed in the application has sufficient commercial viability to make it worthwhile to proceed with search and examination. The applicant may decide to terminate the application process because the invention does not have sufficient commercial viability by filing a written declaration of express abandonment as prescribed by the Director before an examination (including any search) has been made of the application under § 131 (to obtain any refund provided for by the regulations prescribed by the Director). This would abandon the application and obviate the need for the USPTO to proceed with the examination of the patent application.

Section 41(a)(4) sets out the fees for issuing a patent. Under § 41(a)(4), the fee for issuing each original patent, except for design or plant patents, is $1,400; the fee for issuing each original design patent is $800; the fee for issuing each original plant patent is $1,100; and the fee for issuing each reissue patent is $1,400.

Section 41(a)(5) sets out the fee due upon filing a disclaimer under § 253 of the patent code in a patent or a patent application, which is $130.

Section 41(a)(6) sets out the appeal fees. Under § 41(a)(6), the fee due upon filing an appeal from the examiner to the Board of Patent Appeals and Interferences is $500, the fee due upon filing a brief in support of the appeal is an additional $500, and the fee due for

requesting an oral hearing in the appeal before the Board of Patent Appeals and Interferences is an additional $1,000.

Section 41(a)(7) sets out the fees due upon filing a petition to revive an abandoned application or to accept a delayed response by the patent owner in a reexamination proceeding, which is $1,500, unless the petition is filed under § 133 or § 151 of the patent code, in which case the fee is $500.

Section 41(a)(8) sets out the fees due upon filing a petition for 1-month extensions of time. Under § 41(a)(8), the fee for filing the first 1-month petition is $120; the fee for filing the second 1-month petition is $330; and the fee for filing the third or each subsequent 1-month petition is $570.

Section 41(b) sets out the fee for maintaining in force a patent based on applications filed on or after December 12, 1980. Under § 41(b), the maintenance fee due at 3 years and 6 months after grant is $900; the maintenance fee due 7 years and 6 months after grant is $2,300; and the maintenance fee due 11 years and 6 months after grant is $3,800. Section 41(b) also provides that unless payment of the applicable maintenance fee is received in the USPTO on or before the date on which the fee is due or within a grace period of 6 months thereafter, the patent will expire as of the end of such grace period, that the Director may require the payment of a surcharge as a condition of accepting within such 6-month grace period the payment of an applicable maintenance fee, and that no fee may be established for maintaining a design or plant patent in force.

Section 41(d)(1) provides that the Director will establish fees for requesting a search of an application for a patent (except for provisional applications), including PCT international applications entering the national stage under § 371. The search fees established under § 41(d)(1) are to be set so as to recover an amount not to exceed the estimated average cost to the USPTO of searching applications for patent either by acquiring a search report from a qualified search authority, or by causing a search by Office personnel to be made, of each application for a patent. The USPTO is expected to test the concept of exploitation of search reports obtained from qualified search contractors during examination to determine whether such a procedure is a feasible means of addressing the USPTO increasing patent workload. It is expected that exploitation of search reports obtained from qualified search contractors during examination will be tested and piloted in a step-by-step process to ensure proof of concept prior to any full implementation of such a practice.

Section 41(d)(1)(A) provides that for purposes of determining the fees to be established under § 41(d)(1), the cost to the USPTO of causing a search to be made of an application by USPTO personnel is deemed to be the transitional search fee set forth in section 5 of this Act: (1) $500 for each application for an original patent, except for a design, plant, or international application; (2) $100 for each application for an original design patent; (3) $300 for each application for an original plant patent; (4) $500 for each national stage of an international application; and (4) $500 for each application for the reissue of a patent. This provision is designed to simplify the process of determining the search fee under § 41(d)(1).

Under § 41(d)(1)(B), the provisions of § 111(a)(3) for payment of the fee for filing the application apply to the payment of the search fee specified in § 41(d)(1) with respect to an application filed under § 111(a), and the provisions of § 371(d) for the payment of the national fee apply to the payment of the search fee specified in § 41(d)(1) with respect to a PCT international application entering the national stage under § 371.

Under § 41(d)(1)(C), the Director may, by regulation, provide for a refund of any part of the search fee specified in § 41(d)(1) for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under § 131, as well as for any applicant who provides a search report that meets the conditions prescribed by the Director (as discussed above).

Finally, § 41(d)(1)(E) addresses the ability of the Director to "outsource" the performance of the search function to commercial entities. Empowering the USPTO Director to initiate a program to outsource the search function is part of a larger effort to make USPTO a modern, productive, and efficient Federal agency. The agency, Congress, and the user groups whose members pay for USPTO services all want to improve USPTO operations. The Committee believes that the agency would not condone the wholesale use of outsourcing if the practice proved detrimental to its operations. Congress—and the Committee in particular—would never abandon its oversight responsibilities and permit such an occurrence. The user groups, which endorse the Strategic Plan and are not opposed to pilot-tested out-sourcing, will also offer critical commentary when necessary.

While permitting the Director to initiate limited out-sourcing activity, § 41(d)(1)(E) places exacting constraints on its use. It permits the Director to conduct a pilot program within an 18-month period to determine if commercial entities can perform the search function by producing accurate results that meet or exceed current USPTO standards. At the conclusion of the program, the Director must then submit a report on the results to the Patent Public Advisory Committee, an independent entity that evaluates USPTO operations on a biannual basis, as well as to the Congress. The report must address a number of detailed criteria, such as methodology, cost, and productivity, for evaluation by the Advisory Committee and Congress. The Advisory Committee must then submit its own report to the Director and Congress as to the merits of out-sourcing relative to USPTO standards. Once the Advisory Committee report is completed, Congress will have an entire year if it desires to limit or prohibit the wholesale out-sourcing of searches.

Sec. 3. Adjustment of Trademark Fees. Section 3 provides that the fee under § 31(a) of the Trademark Act of 1946 (15 U.S.C. § 1113(a)) for filing an electronic application for the registration of a trademark shall be $325. If the trademark application filing is done on paper the fee shall be $375. Section 3 also provides that the Director may reduce the $325 fee for filing an application for the registration of a trademark in an electronic form prescribed by the Director to $275 for any applicant who also prosecutes the application through electronic means under such conditions as may be prescribed by the Director. Section 3 also provides that beginning in fiscal year 2004, the provisions of the second and third sen-

tence of § 31(a) of the Trademark Act of 1946 shall apply to the fees for filing an application for the registration of a trademark established under this section. Thus, the fees for filing an application for the registration of a trademark established under section 3 may be adjusted once each year (beginning on October 1, 2003) to reflect, in the aggregate, any fluctuations occurring during the preceding twelve months in the Consumer Price Index, as determined by the Secretary of Labor.

Sec. 4. Correction of Erroneous Naming of Officer. Section 4 corrects a clerical error in the Intellectual Property and High Technology Technical Amendments Act of 2002 (Title III, Subtitle B, of Public Law 107–273 (116 Stat. 1758)). Specifically, section 4 amends § 13203 of Public Law 107–273 to make the Deputy Director (and not the "Deputy Commissioner") of the USPTO a member of the Board of Patent Appeals and Interferences and the Trademark Trial and Appeal Board, as was the intended result of § 13203(a) of Public Law 107–273 (see H.R. Conf. Rep. No. 107–685, at 220 (2002)).

Sec. 5. Patent and Trademark Office Funding. Section 5 creates a "refund" program to eliminate the potential incentive for diverting USPTO revenue to non-USPTO programs. Briefly, if fee collections in a given fiscal year exceed the amount appropriated to the agency, the excess or overage shall be deposited in a USPTO "Reserve Fund." At the end of the fiscal year the Director determines if there are sufficient funds to make payments to persons who paid fees during that year. The Director is empowered to determine which recipients qualify and in what amounts, except that the payments in aggregate must equal the amount of revenue in the Reserve Fund during that fiscal year, less the cost of administering the program.

Sec. 6. Repeal of Patent and Trademark Fee Provisions of the Consolidated Appropriations Act, 2005. Section 6 repeals the provisions of the Consolidated Appropriations Act from the 108th Congress that authorized the new (current) fee schedule, which will otherwise expire in 18 months. Moreover, the current provisions do not address out-sourcing, small business concerns, and the refund mechanism as the text of H.R. 2791 does.

Sec. 7. Effective Date, Applicability, and Transitional Provision. Consistent with section 6, section 7 of the bill states that, except as otherwise provided, H.R. 2791 and the amendments to it shall take effect as of December 8, 2004; in other words, on the same date that the Consolidated Appropriations Act of 2005 took effect.

Section 7 also provides that the amendments made by section 2 apply to all patents, whenever granted, and to all patent applications pending on or filed after the effective date of this Act. Since applications pending before the effective date of this Act paid filing or basic national fees based upon former § 41(a), section 7 also provides that the filing, examination, and search fees specified in §§ 41(a)(1), 41(a)(3), and 41(d)(1), respectively (and the refund provisions of §§ 41(a)(3), and 41(d)(1)), apply only to all applications for patent filed under § 111(a) on or after the effective date of this Act, and to all PCT international applications entering the national stage after compliance with § 371 on or after the effective date of this Act, except that the provisional application filing fee specified in § 41(a)(1)(D) applies to all provisional applications for which the

filing fee specified in § 41 was not paid before the effective date of this Act. Section 7 also provides that the excess claims fees specified in § 41(a)(2) (and its refund provisions) apply only to the extent that the number of claims in independent form, after giving effect to any cancellation of claims, is in excess of the number of claims in independent form for which the excess claims fee specified in § 41 was paid before the effective date of this Act, and that the number of total claims (whether independent or dependent), again after giving effect to any cancellation of claims, is in excess of the number of total claims (whether independent or dependent) for which the excess claims fee specified in § 41 was paid before the effective date of this Act.

Section 7 also provides that the amendments made by section 3 shall apply to all applications for the registration of a trademark and classes added to an existing trademark application filed after the effective date of this Act. The last sentence of § 31(a) will pertain to the trademark fees established herein. That sentence states that: "No fee established under this section shall take effect until at least 30 days after the notice of the fee has been published in the *Federal Register and in the Official Gazette of the United States Patent and Trademark Office.*"

Section 7 also provides a transitional provision concerning the search fees established under § 41(d). Section 7 establishes a transitional search fee of: (1) $500 for the search of each application for an original patent, except for a design, plant, provisional, or international application; (2) $160 for the search of each application for an original design patent; (3) $300 for the search of each application for an original plant patent; (4) $500 for the national stage of an international application; and (5) $500 for the search of each application for the reissue of a patent. Section 7 also provides that the provisions of § 111(a)(3) for payment of the fee for filing the application apply to the payment of the transitional search fees specified in section 7 with respect to an application filed under § 111(a), and that the provisions of § 371(d) for payment of the national fee apply to the payment of the transitional search fees specified in section 6 with respect to a PCT international application. Section 7 also provides that the Director may, by regulation, provide for a refund of any part of the transitional search fees specified in section 7 for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under § 131 of the patent code, as well as for any applicant who provides a search report that meets the conditions prescribed by the Director (as discussed above).

Sec. 8. Definition. Section 8 clarifies that the term "Director" means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

Sec. 9. Clerical Amendment. Section 9 aligns the text of Subsection (c) of § 311 of title 35, United States Code, with that of subsection (a) of § 311.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omit-

ted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TITLE 35, UNITED STATES CODE

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CHAPTER 4—PATENT FEES; FUNDING; SEARCH SYSTEMS

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§ 41. Patent fees; patent and trademark search systems

[(a) The Director shall charge the following fees:

[(1)(A) On filing each application for an original patent, except in design or plant cases, $690.

[(B) In addition, on filing or on presentation at any other time, $78 for each claim in independent form which is in excess of 3, $18 for each claim (whether independent or dependent) which is in excess of 20, and $260 for each application containing a multiple dependent claim.

[(C) On filing each provisional application for an original patent, $150.

[(2) For issuing each original or reissue patent, except in design or plant cases, $1,210.

[(3) In design and plant cases—

[(A) on filing each design application, $310;

[(B) on filing each plant application, $480;

[(C) on issuing each design patent, $430; and

[(D) on issuing each plant patent, $580.

[(4)(A) On filing each application for the reissue of a patent, $690.

[(B) In addition, on filing or on presentation at any other time, $78 for each claim in independent form which is in excess of the number of independent claims of the original patent, and $18 for each claim (whether independent or dependent) which is in excess of 20 and also in excess of the number of claims of the original patent.

[(5) On filing each disclaimer, $110.

[(6)(A) On filing an appeal from the examiner to the Board of Patent Appeals and Interferences, $300.

[(B) In addition, on filing a brief in support of the appeal, $300, and on requesting an oral hearing in the appeal before the Board of Patent Appeals and Interferences, $260.

[(7) On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in any reexamination proceeding, $1,210, unless the petition is filed under section 133 or 151 of this title, in which case the fee shall be $110.

[(8) For petitions for 1-month extensions of time to take actions required by the Director in an application—

[(A) on filing a first petition, $110;

[(B) on filing a second petition, $270; and

[(C) on filing a third petition or subsequent petition, $490.

[(9) Basic national fee for an international application where the Patent and Trademark Office was the International Preliminary Examining Authority and the International Searching Authority, $670.

[(10) Basic national fee for an international application where the Patent and Trademark Office was the International Searching Authority but not the International Preliminary Examining Authority, $690.

[(11) Basic national fee for an international application where the Patent and Trademark Office was neither the International Searching Authority nor the International Preliminary Examining Authority, $970.

[(12) Basic national fee for an international application where the international preliminary examination fee has been paid to the Patent and Trademark Office, and the international preliminary examination report states that the provisions of Article 33(2), (3), and (4) of the Patent Cooperation Treaty have been satisfied for all claims in the application entering the national stage, $96.

[(13) For filing or later presentation of each independent claim in the national stage of an international application in excess of 3, $78.

[(14) For filing or later presentation of each claim (whether independent or dependent) in a national stage of an international application in excess of 20, $18.

[(15) For each national stage of an international application containing a multiple dependent claim, $260.

For the purpose of computing fees, a multiple dependent claim referred to in section 112 of this title or any claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made. Errors in payment of the additional fees may be rectified in accordance with regulations of the Director.

[(b) The Director shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:

[(1) 3 years and 6 months after grant, $830.

[(2) 7 years and 6 months after grant, $1,900.

[(3) 11 years and 6 months after grant, $2,910.

Unless payment of the applicable maintenance fee is received in the Patent and Trademark Office on or before the date the fee is due or within a grace period of 6 months thereafter, the patent will expire as of the end of such grace period. The Director may require the payment of a surcharge as a condition of accepting within such 6-month grace period the payment of an applicable maintenance fee. No fee may be established for maintaining a design or plant patent in force.]

(a) GENERAL FEES.—The Director shall charge the following fees:

(1) FILING AND BASIC NATIONAL FEES.—

(A) On filing each application for an original patent, except for design, plant, or provisional applications, $300.

(B) On filing each application for an original design patent, $200.

(C) On filing each application for an original plant patent, $200.

(D) On filing each provisional application for an original patent, $200.

(E) On filing each application for the reissue of a patent, $300.

(F) The basic national fee for each international application filed under the treaty defined in section 351(a) of this title entering the national stage under section 371 of this title, $300.

(G) In addition, excluding any sequence listing or computer program listing filed in an electronic medium as prescribed by the Director, for any application the specification and drawings of which exceed 100 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium), $250 for each additional 50 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium) or fraction thereof.

(2) EXCESS CLAIMS FEES.—In addition to the fee specified in paragraph (1)—

(A) on filing or on presentation at any other time, $200 for each claim in independent form in excess of 3;

(B) on filing or on presentation at any other time, $50 for each claim (whether dependent or independent) in excess of 20; and

(C) for each application containing a multiple dependent claim, $360.

For the purpose of computing fees under this paragraph, a multiple dependent claim referred to in section 112 of this title or any claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made. The Director may by regulation provide for a refund of any part of the fee specified in this paragraph for any claim that is canceled before an examination on the merits, as prescribed by the Director, has been made of the application under section 131 of this title. Errors in payment of the additional fees under this paragraph may be rectified in accordance with regulations prescribed by the Director.

(3) EXAMINATION FEES.—

(A) For examination of each application for an original patent, except for design, plant, provisional, or international applications, $200.

(B) For examination of each application for an original design patent, $130.

(C) For examination of each application for an original plant patent, $160.

(D) For examination of the national stage of each international application, $200.

(E) For examination of each application for the reissue of a patent, $600.

The provisions of section 111(a)(3) of this title relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in this paragraph with respect to

an application filed under section 111(a) of this title. The provisions of section 371(d) of this title relating to the payment of the national fee shall apply to the payment of the fee specified in this paragraph with respect to an international application. The Director may by regulation provide for a refund of any part of the fee specified in this paragraph for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under section 131 of this title, and for any applicant who provides a search report that meets the conditions prescribed by the Director.

(4) ISSUE FEES.—

(A) For issuing each original patent, except for design or plant patents, $1,400.

(B) For issuing each original design patent, $800.

(C) For issuing each original plant patent, $1,100.

(D) For issuing each reissue patent, $1,400.

(5) DISCLAIMER FEE.—On filing each disclaimer, $130.

(6) APPEAL FEES.—

(A) On filing an appeal from the examiner to the Board of Patent Appeals and Interferences, $500.

(B) In addition, on filing a brief in support of the appeal, $500, and on requesting an oral hearing in the appeal before the Board of Patent Appeals and Interferences, $1,000.

(7) REVIVAL FEES.—On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in any reexamination proceeding, $1,500, unless the petition is filed under section 133 or 151 of this title, in which case the fee shall be $500.

(8) EXTENSION FEES.—For petitions for 1-month extensions of time to take actions required by the Director in an application—

(A) on filing a first petition, $120;

(B) on filing a second petition, $330; and

(C) on filing a third or subsequent petition, $570.

(b) MAINTENANCE FEES.—The Director shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:

(1) 3 years and 6 months after grant, $900.

(2) 7 years and 6 months after grant, $2,300.

(3) 11 years and 6 months after grant, $3,800.

Unless payment of the applicable maintenance fee is received in the United States Patent and Trademark Office on or before the date the fee is due or within a grace period of 6 months thereafter, the patent will expire as of the end of such grace period. The Director may require the payment of a surcharge as a condition of accepting within such 6-month grace period the payment of an applicable maintenance fee. No fee may be established for maintaining a design or plant patent in force.

[(c)(1)**]** *(c) LATE PAYMENT OF FEES.—(1)* The Director may accept the payment of any maintenance fee required by subsection (b) of this section which is made within twenty-four months after the

six-month grace period if the delay is shown to the satisfaction of the Director to have been unintentional, or at any time after the six-month grace period if the delay is shown to the satisfaction of the Director to have been unavoidable. The Director may require the payment of a surcharge as a condition of accepting payment of any maintenance fee after the six-month grace period. If the Director accepts payment of a maintenance fee after the six-month grace period, the patent shall be considered as not having expired at the end of the grace period.

* * * * * * *

[(d) The Director shall establish fees for all other processing, services, or materials relating to patents not specified in this section to recover the estimated average cost to the Office of such processing, services, or materials, except that the Director shall charge the following fees for the following services:

[(1) For recording a document affecting title, $40 per property.

[(2) For each photocopy, $.25 per page.

[(3) For each black and white copy of a patent, $3.

The yearly fee for providing a library specified in section 13 of this title with uncertified printed copies of the specifications and drawings for all patents in that year shall be $50.]

(d) PATENT SEARCH AND OTHER FEES.—

(1) PATENT SEARCH FEES.—(A) The Director shall charge a fee for the search of each application for a patent, except for provisional applications. The Director shall establish the fees charged under this paragraph to recover an amount not to exceed the estimated average cost to the Office of searching applications for patent either by acquiring a search report from a qualified search authority, or by causing a search by Office personnel to be made, of each application for patent. For the 3-year period beginning on December 8, 2004, the fee for a search by a qualified search authority of a patent application described in clause (i), (iv), or (v) of subparagraph (B) may not exceed $500, of a patent application described in clause (ii) of subparagraph (B) may not exceed $100, and of a patent application described in clause (iii) of subparagraph (B) may not exceed $300. The Director may not increase any such fee by more than 20 percent in each of the next 3 1-year periods, and the Director may not increase any such fee thereafter.

(B) For purposes of determining the fees to be established under this paragraph, the cost to the Office of causing a search of an application to be made by Office personnel shall be deemed to be—

(i) $500 for each application for an original patent, except for design, plant, provisional, or international applications;

(ii) $100 for each application for an original design patent;

(iii) $300 for each application for an original plant patent;

(iv) $500 for the national stage of each international application; and

(v) $500 for each application for the reissue of a patent.

(C) The provisions of section 111(a)(3) of this title relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in this paragraph with respect to an application filed under section 111(a) of this title. The provisions of section 371(d) of this title relating to the payment of the national fee shall apply to the payment of the fee specified in this paragraph with respect to an international application.

(D) The Director may by regulation provide for a refund of any part of the fee specified in this paragraph for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under section 131 of this title, and for any applicant who provides a search report that meets the conditions prescribed by the Director.

(E) For purposes of subparagraph (A), a "qualified search authority" may not include a commercial entity unless—

(i) the Director conducts a pilot program of limited scope, conducted over a period of not more than 18 months, which demonstrates that searches by commercial entities of the available prior art relating to the subject matter of inventions claimed in patent applications—

(I) are accurate; and

(II) meet or exceed the standards of searches conducted by and used by the Patent and Trademark Office during the patent examination process;

(ii) the Director submits a report on the results of the pilot program to the Congress and the Patent Public Advisory Committee that includes—

(I) a description of the scope and duration of the pilot program;

(II) the identity of each commercial entity participating in the pilot program;

(III) an explanation of the methodology used to evaluate the accuracy and quality of the search reports; and

(IV) an assessment of the effects that the pilot program, as compared to searches conducted by the Patent and Trademark Office, had and will have on—

(aa) patentability determinations;

(bb) productivity of the Patent and Trademark Office;

(cc) costs to the Patent and Trademark Office;

(dd) costs to patent applicants; and

(ee) other relevant factors;

(iii) the Patent Public Advisory Committee reviews and analyzes the Director's report under clause (ii) and the results of the pilot program and submits a separate report on its analysis to the Director and the Congress that includes—

(I) an independent evaluation of the effects that the pilot program, as compared to searches conducted by the Patent and Trademark Office, had and will have on the factors set forth in clause (ii)(IV); and

(II) an analysis of the reasonableness, appropriateness, and effectiveness of the methods used in the pilot program to make the evaluations required under clause (ii)(IV); and

(iv) the Congress does not, during the 1-year period beginning on the date on which the Patent Public Advisory Committee submits its report to the Congress under clause (iii), enact a law prohibiting searches by commercial entities of the available prior art relating to the subject matter of inventions claimed in patent applications.

(F) The Director shall require that any search by a qualified search authority that is a commercial entity is conducted in the United States by persons that—

(i) if individuals, are United States citizens; and

(ii) if business concerns, are organized under the laws of the United States or any State and employ United States citizens to perform the searches.

(G) A search of an application that is the subject of a secrecy order under section 181 or otherwise involves classified information may only be conducted by Office personnel.

(H) A qualified search authority that is a commercial entity may not conduct a search of a patent application if the entity has any direct or indirect financial interest in any patent or in any pending or imminent application for patent filed or to be filed in the Patent and Trademark Office.

(2) OTHER FEES.—The Director shall establish fees for all other processing, services, or materials relating to patents not specified in this section to recover the estimated average cost to the Office of such processing, services, or materials, except that the Director shall charge the following fees for the following services:

(A) For recording a document affecting title, $40 per property.

(B) For each photocopy, $.25 per page.

(C) For each black and white copy of a patent, $3.

The yearly fee for providing a library specified in section 12 of this title with uncertified printed copies of the specifications and drawings for all patents in that year shall be $50.

[(e)**]** *(e) WAIVERS OF CERTAIN FEES.*—The Director may waive the payment of any fee for any service or material related to patents in connection with an occasional or incidental request made by a department or agency of the Government, or any officer thereof. The Director may provide any applicant issued a notice under section 132 of this title with a copy of the specifications and drawings for all patents referred to in that notice without charge.

[(f)**]** *(f) ADJUSTMENTS IN FEES.*—The fees established in subsections **[**(a) and (b)**]** *(a), (b), and (d)* of this section may be adjusted by the Director on October 1, 1992, and every year thereafter, to reflect any fluctuations occurring during the previous 12 months in the Consumer Price Index, as determined by the Secretary of Labor. Changes of less than 1 per centum may be ignored.

[(g)**]** *(g) EFFECTIVE DATES OF FEES.*—No fee established by the Director under this section shall take effect until at least 30 days after notice of the fee has been published in the Federal Register and in the Official Gazette of the Patent and Trademark Office.

[(h)(1) Fees charged under subsection (a) or (b)] *(h) REDUCTIONS IN FEES FOR CERTAIN ENTITIES.—(1) Subject to paragraph (3), fees charged under subsections (a), (b), and (d)(1)* 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 Director.

* * * * * * *

(3) The fee charged under subsection (a)(1)(A) shall be reduced by 75 percent with respect to its application to any entity to which paragraph (1) applies, if the application is filed by electronic means as prescribed by the Director.

[(i)(1)] *(i) SEARCH SYSTEMS.—(1)* The Director shall maintain, for use by the public, paper, microform, or electronic collections of United States patents, foreign patent documents, and United States trademark registrations arranged to permit search for and retrieval of information. The Director may not impose fees directly for the use of such collections, or for the use of the public patent or trademark search rooms or libraries.

* * * * * * *

§ 42. Patent and Trademark Office funding

(a) * * *

* * * * * * *

[(c)] *(c)(1)* To the extent and in the amounts provided in advance in appropriations Acts, fees authorized in this title or any other Act to be charged or established by the Director shall be collected by and shall be available to the Director to carry out the activities of the Patent and Trademark Office. All fees available to the Director under section 31 of the Trademark Act of 1946 shall be used only for the processing of trademark registrations and for other activities, services, and materials relating to trademarks and to cover a proportionate share of the administrative costs of the Patent and Trademark Office.

(2) There is established in the Treasury a Patent and Trademark Fee Reserve Fund. If fee collections by the Patent and Trademark Office for a fiscal year exceed the amount appropriated to the Office for that fiscal year, fees collected in excess of the appropriated amount shall be deposited in the Patent and Trademark Fee Reserve Fund. After the end of each fiscal year, the Director shall make a finding as to whether the fees collected for that fiscal year exceed the amount appropriated to the Patent and Trademark Office for that fiscal year. If the amount collected exceeds the amount appropriated, the Director shall, if the Director determines that there are sufficient funds in the Reserve Fund, make payments from the Reserve Fund to persons who paid patent or trademark fees during that fiscal year. The Director shall by regulation determine which persons receive such payments and the amount of such payments, except that such payments in the aggregate shall equal the amount of funds deposited in the Reserve Fund during that fiscal year, less the cost of administering the provisions of this paragraph.

* * * * * * *

PART II—PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS

* * * * * * *

CHAPTER 11—APPLICATION FOR PATENT

§ 119. Benefit of earlier filing date; right of priority

(a) * * *

* * * * * * *

(e)(1) * * *

(2) A provisional application filed under section 111(b) of this title may not be relied upon in any proceeding in the Patent and Trademark Office unless the fee set forth in [subparagraph (A) or (C) of] section 41(a)(1) of this title has been paid.

* * * * * * *

PART III—PATENTS AND PROTECTION OF PATENT RIGHTS

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CHAPTER 31—OPTIONAL INTER PARTES REEXAMINATION PROCEDURES

* * * * * * *

§ 311. Request for inter partes reexamination

(a) * * *

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(c) COPY.—The Director promptly shall send a copy of the request to the owner of record of the patent.

* * * * * * *

SECTION 13203 OF THE 21ST CENTURY DEPARTMENT OF JUSTICE APPROPRIATIONS AUTHORIZATION ACT

SEC. 13203. PATENT AND TRADEMARK EFFICIENCY ACT AMENDMENTS.

(a) DEPUTY [COMMISSIONER] *DIRECTOR*.—

(1) Section 17(b) of the Act of July 5, 1946 (commonly referred to as the "Trademark Act of 1946") (15 U.S.C. 1067(b)), is amended by inserting "the Deputy [Commissioner] *Director*," after "[Commissioner] *Director*,".

(2) Section 6(a) of title 35, United States Code, is amended by inserting "the Deputy [Commissioner] *Director*," after "[Commissioner] *Director*,".

* * * * * * *

TITLE VIII OF DIVISION B OF THE CONSOLIDATED APPROPRIATIONS ACT, 2005

[TITLE VIII—PATENT AND TRADEMARK FEES

[SEC. 801. FEES FOR PATENT SERVICES.

[(a) GENERAL PATENT FEES.—During fiscal years 2005 and 2006, subsection (a) of section 41 of title 35, United States Code, shall be administered as though that subsection reads as follows:

[“(a) GENERAL FEES.—The Director shall charge the following fees:

[“(1) FILING AND BASIC NATIONAL FEES.—

[“(A) On filing each application for an original patent, except for design, plant, or provisional applications, $300.

[“(B) On filing each application for an original design patent, $200.

[“(C) On filing each application for an original plant patent, $200.

[“(D) On filing each provisional application for an original patent, $200.

[“(E) On filing each application for the reissue of a patent, $300.

[“(F) The basic national fee for each international application filed under the treaty defined in section 351(a) of this title entering the national stage under section 371 of this title, $300.

[“(G) In addition, excluding any sequence listing or computer program listing filed in an electronic medium as prescribed by the Director, for any application the specification and drawings of which exceed 100 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium), $250 for each additional 50 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium) or fraction thereof.

[“(2) EXCESS CLAIMS FEES.—In addition to the fee specified in paragraph (1)—

[“(A) on filing or on presentation at any other time, $200 for each claim in independent form in excess of 3;

[“(B) on filing or on presentation at any other time, $50 for each claim (whether dependent or independent) in excess of 20; and

[“(C) for each application containing a multiple dependent claim, $360.

For the purpose of computing fees under this paragraph, a multiple dependent claim referred to in section 112 of this title or any claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made. The Director may by regulation provide for a refund of any part of the fee specified in this paragraph for any claim that is canceled before an examination on the merits, as prescribed by the Director, has been made of the application under section 131 of this title. Errors in payment of the additional fees under this paragraph may be rectified in accordance with regulations prescribed by the Director.

[“(3) EXAMINATION FEES.—

[“(A) For examination of each application for an original patent, except for design, plant, provisional, or international applications, $200.

[“(B) For examination of each application for an original design patent, $130.

[“(C) For examination of each application for an original plant patent, $160.

[“(D) For examination of the national stage of each international application, $200.

[“(E) For examination of each application for the reissue of a patent, $600.

The provisions of section 111(a) of this title relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in this paragraph with respect to an application filed under section 111(a) of this title. The provisions of section 371(d) of this title relating to the payment of the national fee shall apply to the payment of the fee specified in this paragraph with respect to an international application.

[“(4) ISSUE FEES.—

[“(A) For issuing each original patent, except for design or plant patents, $1,400.

[“(B) For issuing each original design patent, $800.

[“(C) For issuing each original plant patent, $1,100.

[“(D) For issuing each reissue patent, $1,400.

[“(5) DISCLAIMER FEE.—On filing each disclaimer, $130.

[“(6) APPEAL FEES.—

[“(A) On filing an appeal from the examiner to the Board of Patent Appeals and Interferences, $500.

[“(B) In addition, on filing a brief in support of the appeal, $500, and on requesting an oral hearing in the appeal before the Board of Patent Appeals and Interferences, $1,000.

[“(7) REVIVAL FEES.—On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in any reexamination proceeding, $1,500, unless the petition is filed under section 133 or 151 of this title, in which case the fee shall be $500.

[“(8) EXTENSION FEES.—For petitions for 1-month extensions of time to take actions required by the Director in an application—

[“(A) on filing a first petition, $120;

[“(B) on filing a second petition, $330; and

[“(C) on filing a third or subsequent petition, $570.”.

[(b) PATENT MAINTENANCE FEES.—During fiscal years 2005 and 2006, subsection (b) of section 41 of title 35, United States Code, shall be administered as though that subsection reads as follows:

[“(b) MAINTENANCE FEES.—The Director shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:

[“(1) 3 years and 6 months after grant, $900.

[“(2) 7 years and 6 months after grant, $2,300.

[“(3) 11 years and 6 months after grant, $3,800.

Unless payment of the applicable maintenance fee is received in the United States Patent and Trademark Office on or before the date the fee is due or within a grace period of 6 months thereafter, the patent will expire as of the end of such grace period. The Director may require the payment of a surcharge as a condition of accepting within such 6-month grace period the payment of an applicable maintenance fee. No fee may be established for maintaining a design or plant patent in force.".

[(c) PATENT SEARCH FEES.—During fiscal years 2005 and 2006, subsection (d) of section 41 of title 35, United States Code, shall be administered as though that subsection reads as follows:

["(d) PATENT SEARCH AND OTHER FEES.—

["(1) PATENT SEARCH FEES.—

["(A) The Director shall charge a fee for the search of each application for a patent, except for provisional applications. The Director shall establish the fees charged under this paragraph to recover an amount not to exceed the estimated average cost to the Office of searching applications for patent either by acquiring a search report from a qualified search authority, or by causing a search by Office personnel to be made, of each application for patent. For the 3-year period beginning on the date of enactment of this Act, the fee for a search by a qualified search authority of a patent application described in clause (i), (iv), or (v) of subparagraph (B) may not exceed $500, of a patent application described in clause (ii) of subparagraph (B) may not exceed $100, and of a patent application described in clause (iii) of subparagraph (B) may not exceed $300. The Director may not increase any such fee by more than 20 percent in each of the next three 1-year periods, and the Director may not increase any such fee thereafter.

["(B) For purposes of determining the fees to be established under this paragraph, the cost to the Office of causing a search of an application to be made by Office personnel shall be deemed to be—

["(i) $500 for each application for an original patent, except for design, plant, provisional, or international applications;

["(ii) $100 for each application for an original design patent;

["(iii) $300 for each application for an original plant patent;

["(iv) $500 for the national stage of each international application; and

["(v) $500 for each application for the reissue of a patent.

["(C) The provisions of section 111(a)(3) of this title relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in this paragraph with respect to an application filed under section 111(a) of this title. The provisions of section 371(d) of this title relating to the payment of the national fee shall apply to the payment of the fee specified in this paragraph with respect to an international application.

[“(D) The Director may by regulation provide for a refund of any part of the fee specified in this paragraph for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under section 131 of this title, and for any applicant who provides a search report that meets the conditions prescribed by the Director.

[“(E) For purposes of subparagraph (A), a ‘qualified search authority’ may not include a commercial entity unless—

[“(i) the Director conducts a pilot program of limited scope, conducted over a period of not more than 18 months, which demonstrates that searches by commercial entities of the available prior art relating to the subject matter of inventions claimed in patent applications—

[“(I) are accurate; and

[“(II) meet or exceed the standards of searches conducted by and used by the Patent and Trademark Office during the patent examination process;

[“(ii) the Director submits a report on the results of the pilot program to Congress and the Patent Public Advisory Committee that includes—

[“(I) a description of the scope and duration of the pilot program;

[“(II) the identity of each commercial entity participating in the pilot program;

[“(III) an explanation of the methodology used to evaluate the accuracy and quality of the search reports; and

[“(IV) an assessment of the effects that the pilot program, as compared to searches conducted by the Patent and Trademark Office, had and will have on—

[“(aa) patentability determinations;

[“(bb) productivity of the Patent and Trademark Office;

[“(cc) costs to the Patent and Trademark Office;

[“(dd) costs to patent applicants; and

[“(ee) other relevant factors;

[“(iii) the Patent Public Advisory Committee reviews and analyzes the Director’s report under clause (ii) and the results of the pilot program and submits a separate report on its analysis to the Director and the Congress that includes—

[“(I) an independent evaluation of the effects that the pilot program, as compared to searches conducted by the Patent and Trademark Office, had and will have on the factors set forth in clause (ii)(IV); and

[“(II) an analysis of the reasonableness, appropriateness, and effectiveness of the methods

used in the pilot program to make the evaluations required under clause (ii)(IV); and

[“(iv) Congress does not, during the 1-year period beginning on the date on which the Patent Public Advisory Committee submits its report to the Congress under clause (iii), enact a law prohibiting searches by commercial entities of the available prior art relating to the subject matter of inventions claimed in patent applications.

[“(F) The Director shall require that any search by a qualified search authority that is a commercial entity is conducted in the United States by persons that—

[“(i) if individuals, are United States citizens; and

[“(ii) if business concerns, are organized under the laws of the United States or any State and employ United States citizens to perform the searches.

[“(G) A search of an application that is the subject of a secrecy order under section 181 or otherwise involves classified information may only be conducted by Office personnel.

[“(H) A qualified search authority that is a commercial entity may not conduct a search of a patent application if the entity has any direct or indirect financial interest in any patent or in any pending or imminent application for patent filed or to be filed in the Patent and Trademark Office.

[“(2) OTHER FEES.—The Director shall establish fees for all other processing, services, or materials relating to patents not specified in this section to recover the estimated average cost to the Office of such processing, services, or materials, except that the Director shall charge the following fees for the following services:

[“(A) For recording a document affecting title, $40 per property.

[“(B) For each photocopy, $.25 per page.

[“(C) For each black and white copy of a patent, $3. The yearly fee for providing a library specified in section 12 of this title with uncertified printed copies of the specifications and drawings for all patents in that year shall be $50.”.

[(d) ADJUSTMENTS.—During fiscal years 2005 and 2006, subsection (f) of section 41 of title 35, United States Code, shall apply to the fees established under this section.

[(e) FEES FOR SMALL ENTITIES.—During fiscal years 2005 and 2006, subsection (h) of section 41 of title 35, United States Code, shall be administered as though that subsection is amended—

[(1) in paragraph (1), by striking “Fees charged under subsection (a) or (b)” and inserting “Subject to paragraph (3), fees charged under subsections (a), (b), and (d)(1)”; and

[(2) by adding at the end the following new paragraph:

[“(3) The fee charged under subsection (a)(1)(A) shall be reduced by 75 percent with respect to its application to any entity to which paragraph (1) applies, if the application is filed by electronic means as prescribed by the Director.”.

[SEC. 802. ADJUSTMENT OF TRADEMARK FEES.

[(a) FEE FOR FILING APPLICATION.—During fiscal years 2005 and 2006, under such conditions as may be prescribed by the Director, the fee under section 31(a) of the Trademark Act of 1946 (15 U.S.C. 1113(a)) for: (1) the filing of a paper application for the registration of a trademark shall be $375; (2) the filing of an electronic application shall be $325; and (3) the filing of an electronic application meeting certain additional requirements prescribed by the Director shall be $275. During fiscal years 2005 and 2006, the provisions of the second and third sentences of section 31(a) of the Trademark Act of 1946 shall apply to the fees established under this section.

[(b) REFERENCE TO TRADEMARK ACT OF 1946.—For purposes of this section, the "Trademark Act of 1946" refers to the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes.", approved July 5, 1946 (15 U.S.C. 1051 et seq.).

[SEC. 803. EFFECTIVE DATE, APPLICABILITY, AND TRANSITIONAL PROVISION.

[(a) EFFECTIVE DATE.—Except as otherwise provided in this title (including this section), the provisions of this title shall take effect on the date of the enactment of this Act and shall apply only with respect to the remaining portion of fiscal year 2005 and fiscal year 2006.

[(b) APPLICABILITY.—

[(1)(A) Except as provided in subparagraphs (B) and (C), the provisions of section 801 shall apply to all patents, whenever granted, and to all patent applications pending on or filed after the effective date set forth in subsection (a) of this section.

[(B)(i) Except as provided in clause (ii), subsections (a)(1) and (3) and (d)(1) of section 41 of title 35, United States Code, as administered as provided in this title, shall apply only to—

[(I) applications for patents filed under section 111 of title 35, United States Code, on or after the effective date set forth in subsection (a) of this section, and

[(II) international applications entering the national stage under section 371 of title 35, United States Code, for which the basic national fee specified in section 41 of title 35, United States Code, was not paid before the effective date set forth in subsection (a) of this section.

[(ii) Section 41(a)(1)(D) of title 35, United States Code, as administered as provided in this title, shall apply only to applications for patent filed under section 111(b) of title 35, United States Code, before, on, or after the effective date set forth in subsection (a) of this section in which the filing fee specified in section 41 of title 35, United States Code, was not paid before the effective date set forth in subsection (a) of this section.

[(C) Section 41(a)(2) of title 35, United States Code, as administered as provided in this title, shall apply only to the extent that the number of excess claims, after giving effect to any cancellation of claims, is in excess of the number of claims for which the excess claims fee specified in section 41 of title 35,

United States Code, was paid before the effective date set forth in subsection (a) of this section.

[(2) The provisions of section 802 shall apply to all applications for the registration of a trademark filed or amended on or after the effective date set forth in subsection (a) of this section.

[(c) TRANSITIONAL PROVISIONS.—

[(1) SEARCH FEES.—During fiscal years 2005 and 2006, the Director shall charge—

[(A) for the search of each application for an original patent, except for design, plant, provisional, or international application, $500;

[(B) for the search of each application for an original design patent, $100;

[(C) for the search of each application for an original plant patent, $300;

[(D) for the search of the national stage of each international application, $500; and

[(E) for the search of each application for the reissue of a patent, $500.

[(2) TIMING OF FEES.—The provisions of section 111(a)(3) of title 35, United States Code, relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in paragraph (1) with respect to an application filed under section 111(a) of title 35, United States Code. The provisions of section 371(d) of title 35, United States Code, relating to the payment of the national fee shall apply to the payment of the fee specified in paragraph (1) with respect to an international application.

[SEC. 804. DEFINITION.

[In this title, the term "Director" means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.]

MARKUP TRANSCRIPT

BUSINESS MEETING

WEDNESDAY, NOVEMBER 9, 2005

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Committee met, pursuant to notice, at 10:04 a.m., in Room 2141, Rayburn House Office Building, the Honorable F. James Sensenbrenner, Jr. (Chairman of the Committee) presiding.

Chairman SENSENBRENNER. The Committee will come to order.

[Intervening business.]

Chairman SENSENBRENNER. The next item on the agenda is the adoption of H.R. 2791, the "United States Patent and Trademark Fee Modernization Act of 2005." The Chair recognizes the gentleman from Texas, Mr. Smith, the Chairman of the Subcommittee on Courts, the Internet, and Intellectual Property, for a motion.

Mr. SMITH. Mr. Chairman, the Subcommittee on the Courts, the Internet, and Intellectual Property reports favorably the bill H.R. 2791 and moves its favorable recommendation to the House.

Chairman SENSENBRENNER. Without objection, the bill will be considered as read and open for amendment at any point.

[The bill, H.R. 2791, follows:]

I

109TH CONGRESS
1ST SESSION

H. R. 2791

To amend title 35, United States Code, with respect to patent fees, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 8, 2005

Mr. SENSENBRENNER (for himself, Mr. SMITH of Texas, Mr. GOODLATTE, Mr. BERMAN, Mr. BOUCHER, Mr. CONYERS, Mr. CHABOT, Mr. JENKINS, Ms. ZOE LOFGREN of California, Mr. COBLE, and Mr. WEXLER) introduced the following bill; which was referred to the Committee on the Judiciary

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A BILL

To amend title 35, United States Code, with respect to patent fees, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "United States Patent and Trademark Fee Modernization Act of 2005".

SEC. 2. FEES FOR PATENT SERVICES.

(a) GENERAL PATENT FEES.—Section 41(a) of title 35, United States Code, is amended to read as follows:

"(a) GENERAL FEES.—The Director shall charge the following fees:

"(1) FILING AND BASIC NATIONAL FEES.—

"(A) On filing each application for an original patent, except for design, plant, or provisional applications, $300.

"(B) On filing each application for an original design patent, $200.

"(C) On filing each application for an original plant patent, $200.

"(D) On filing each provisional application for an original patent, $200.

"(E) On filing each application for the reissue of a patent, $300.

"(F) The basic national fee for each international application filed under the treaty defined in section 351(a) of this title entering the national stage under section 371 of this title, $300.

"(G) In addition, excluding any sequence listing or computer program listing filed in an electronic medium as prescribed by the Director, for any application the specification and drawings of which exceed 100 sheets of paper (or equivalent as prescribed by the Director if

filed in an electronic medium), $250 for each additional 50 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium) or fraction thereof.

"(2) EXCESS CLAIMS FEES.—In addition to the fee specified in paragraph (1)—

"(A) on filing or on presentation at any other time, $200 for each claim in independent form in excess of 3;

"(B) on filing or on presentation at any other time, $50 for each claim (whether dependent or independent) in excess of 20; and

"(C) for each application containing a multiple dependent claim, $360.

For the purpose of computing fees under this paragraph, a multiple dependent claim referred to in section 112 of this title or any claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made. The Director may by regulation provide for a refund of any part of the fee specified in this paragraph for any claim that is canceled before an examination on the merits, as prescribed by the Director, has been made of the application under section 131 of this title. Errors in pay-

ment of the additional fees under this paragraph may be rectified in accordance with regulations prescribed by the Director.

"(3) EXAMINATION FEES.—

"(A) For examination of each application for an original patent, except for design, plant, provisional, or international applications, $200.

"(B) For examination of each application for an original design patent, $130.

"(C) For examination of each application for an original plant patent, $160.

"(D) For examination of the national stage of each international application, $200.

"(E) For examination of each application for the reissue of a patent, $600.

The provisions of section 111(a)(3) of this title relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in this paragraph with respect to an application filed under section 111(a) of this title. The provisions of section 371(d) of this title relating to the payment of the national fee shall apply to the payment of the fee specified in this paragraph with respect to an international application. The Director may by regulation provide for a refund of any part of the fee

specified in this paragraph for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under section 131 of this title, and for any applicant who provides a search report that meets the conditions prescribed by the Director.

"(4) ISSUE FEES.—

"(A) For issuing each original patent, except for design or plant patents, $1,400.

"(B) For issuing each original design patent, $800.

"(C) For issuing each original plant patent, $1,100.

"(D) For issuing each reissue patent, $1,400.

"(5) DISCLAIMER FEE.—On filing each disclaimer, $130.

"(6) APPEAL FEES.—

"(A) On filing an appeal from the examiner to the Board of Patent Appeals and Interferences, $500.

"(B) In addition, on filing a brief in support of the appeal, $500, and on requesting an

oral hearing in the appeal before the Board of Patent Appeals and Interferences, $1,000.

"(7) REVIVAL FEES.—On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in any reexamination proceeding, $1,500, unless the petition is filed under section 133 or 151 of this title, in which case the fee shall be $500.

"(8) EXTENSION FEES.—For petitions for 1-month extensions of time to take actions required by the Director in an application—

"(A) on filing a first petition, $120;

"(B) on filing a second petition, $330; and

"(C) on filing a third or subsequent petition, $570.".

(b) PATENT MAINTENANCE FEES.—Section 41(b) of title 35, United States Code, is amended to read as follows:

"(b) MAINTENANCE FEES.—The Director shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:

"(1) 3 years and 6 months after grant, $900.

"(2) 7 years and 6 months after grant, $2,300.

"(3) 11 years and 6 months after grant, $3,800.

Unless payment of the applicable maintenance fee is received in the United States Patent and Trademark Office on or before the date the fee is due or within a grace period of 6 months thereafter, the patent will expire as of the end of such grace period. The Director may require the payment of a surcharge as a condition of accepting within such 6-month grace period the payment of an applicable maintenance fee. No fee may be established for maintaining a design or plant patent in force.".

(c) PATENT SEARCH FEES.—Section 41(d) of title 35, United States Code, is amended to read as follows:

"(d) PATENT SEARCH AND OTHER FEES.—

"(1) PATENT SEARCH FEES.—(A) The Director shall charge a fee for the search of each application for a patent, except for provisional applications. The Director shall establish the fees charged under this paragraph to recover an amount not to exceed the estimated average cost to the Office of searching applications for patent either by acquiring a search report from a qualified search authority, or by causing a search by Office personnel to be made, of each application for patent. For the 3-year period beginning

on December 8, 2004, the fee for a search by a qualified search authority of a patent application described in clause (i), (iv), or (v) of subparagraph (B) may not exceed $500, of a patent application described in clause (ii) of subparagraph (B) may not exceed $100, and of a patent application described in clause (iii) of subparagraph (B) may not exceed $300. The Director may not increase any such fee by more than 20 percent in each of the next 3 1-year periods, and the Director may not increase any such fee thereafter.

"(B) For purposes of determining the fees to be established under this paragraph, the cost to the Office of causing a search of an application to be made by Office personnel shall be deemed to be—

"(i) $500 for each application for an original patent, except for design, plant, provisional, or international applications;

"(ii) $100 for each application for an original design patent;

"(iii) $300 for each application for an original plant patent;

"(iv) $500 for the national stage of each international application; and

"(v) $500 for each application for the reissue of a patent.

"(C) The provisions of section 111(a)(3) of this title relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in this paragraph with respect to an application filed under section 111(a) of this title. The provisions of section 371(d) of this title relating to the payment of the national fee shall apply to the payment of the fee specified in this paragraph with respect to an international application.

"(D) The Director may by regulation provide for a refund of any part of the fee specified in this paragraph for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under section 131 of this title, and for any applicant who provides a search report that meets the conditions prescribed by the Director.

"(E) For purposes of subparagraph (A), a 'qualified search authority' may not include a commercial entity unless—

"(i) the Director conducts a pilot program of limited scope, conducted over a period of not more than 18 months, which demonstrates that

searches by commercial entities of the available prior art relating to the subject matter of inventions claimed in patent applications—

"(I) are accurate; and

"(II) meet or exceed the standards of searches conducted by and used by the Patent and Trademark Office during the patent examination process;

"(ii) the Director submits a report on the results of the pilot program to the Congress and the Patent Public Advisory Committee that includes—

"(I) a description of the scope and duration of the pilot program;

"(II) the identity of each commercial entity participating in the pilot program;

"(III) an explanation of the methodology used to evaluate the accuracy and quality of the search reports; and

"(IV) an assessment of the effects that the pilot program, as compared to searches conducted by the Patent and Trademark Office, had and will have on—

"(aa) patentability determinations;

"(bb) productivity of the Patent and Trademark Office;

"(cc) costs to the Patent and Trademark Office;

"(dd) costs to patent applicants; and

"(ee) other relevant factors;

"(iii) the Patent Public Advisory Committee reviews and analyzes the Director's report under clause (ii) and the results of the pilot program and submits a separate report on its analysis to the Director and the Congress that includes—

"(I) an independent evaluation of the effects that the pilot program, as compared to searches conducted by the Patent and Trademark Office, had and will have on the factors set forth in clause (ii)(IV); and

"(II) an analysis of the reasonableness, appropriateness, and effectiveness of the methods used in the pilot program to make the evaluations required under clause (ii)(IV); and

"(iv) the Congress does not, during the 1-year period beginning on the date on which the

Patent Public Advisory Committee submits its report to the Congress under clause (iii), enact a law prohibiting searches by commercial entities of the available prior art relating to the subject matter of inventions claimed in patent applications.

"(F) The Director shall require that any search by a qualified search authority that is a commercial entity is conducted in the United States by persons that—

"(i) if individuals, are United States citizens; and

"(ii) if business concerns, are organized under the laws of the United States or any State and employ United States citizens to perform the searches.

"(G) A search of an application that is the subject of a secrecy order under section 181 or otherwise involves classified information may only be conducted by Office personnel.

"(H) A qualified search authority that is a commercial entity may not conduct a search of a patent application if the entity has any direct or indirect financial interest in any patent or in any

pending or imminent application for patent filed or to be filed in the Patent and Trademark Office.

"(2) OTHER FEES.—The Director shall establish fees for all other processing, services, or materials relating to patents not specified in this section to recover the estimated average cost to the Office of such processing, services, or materials, except that the Director shall charge the following fees for the following services:

"(A) For recording a document affecting title, $40 per property.

"(B) For each photocopy, $.25 per page.

"(C) For each black and white copy of a patent, $3.

The yearly fee for providing a library specified in section 12 of this title with uncertified printed copies of the specifications and drawings for all patents in that year shall be $50.".

(d) ADJUSTMENTS.—

(1) IN GENERAL.—Section 41(f) of title 35, United States Code, shall apply to the fees established under the amendments made by this section, beginning in fiscal year 2006.

(2) CONFORMING AMENDMENT.—Effective December 8, 2004, section 41(f) of title 35, United

States Code, is amended by striking ''(a) and (b)'' and inserting ''(a), (b), and (d)''.

(e) FEES FOR SMALL ENTITIES.—Section 41(h) of title 35, United States Code, is amended—

(1) in paragraph (1), by striking ''Fees charged under subsection (a) or (b)'' and inserting ''Subject to paragraph (3), fees charged under subsections (a), (b), and (d)(1)''; and

(2) by adding at the end the following new paragraph:

''(3) The fee charged under subsection (a)(1)(A) shall be reduced by 75 percent with respect to its application to any entity to which paragraph (1) applies, if the application is filed by electronic means as prescribed by the Director.''.

(f) SIZE STANDARDS FOR SMALL ENTITIES.—

(1) STUDY.—The Director, in conjunction with the Administrator of the Small Business Administration and the Chief Counsel for Advocacy of the Small Business Administration, shall conduct a study on the effect of patent fees on the ability of small entity inventors to file patent applications. Such study shall examine whether a separate category of reduced patent fees is necessary to ensure

adequate development of new technology by small entity inventors.

(2) REPORT.—The Director shall, not later than 6 months after the date of the enactment of this Act, submit a report on the results of the study under paragraph (1) to the Committee on the Judiciary and the Committee on Small Business of the House of Representatives and the Committee on the Judiciary and the Committee on Small Business and Entrepreneurship of the Senate.

(g) CONFORMING AMENDMENTS.—

(1) Section 41 of title 35, United States Code, is amended—

(A) in subsection (c), by striking ''(c)(1)'' and inserting ''(c) LATE PAYMENT OF FEES.—(1)'';

(B) in subsection (e), by striking ''(e)'' and inserting ''(e) WAIVERS OF CERTAIN FEES.—'';

(C) in subsection (f), by striking ''(f)'' and inserting ''(f) ADJUSTMENTS IN FEES.—'';

(D) in subsection (g), by striking ''(g)'' and inserting ''(g) EFFECTIVE DATES OF FEES.—'';

(E) in subsection (h), by striking ''(h)(1)'' and inserting ''(h) REDUCTIONS IN FEES FOR CERTAIN ENTITIES.—(1)''; and

(F) in subsection (i), by striking ''(i)(1)'' and inserting ''(i) SEARCH SYSTEMS.—(1)''.

(2) Section 119(e)(2) of title 35, United States Code, is amended by striking ''subparagraph (A) or (C) of''.

SEC. 3. ADJUSTMENT OF TRADEMARK FEES.

(a) FEE FOR FILING APPLICATION.—The fee under section 31(a) of the Trademark Act of 1946 (15 U.S.C. 1113(a)) for filing an electronic application for the registration of a trademark shall be $325. If the trademark application is filed on paper, the fee shall be $375. The Director may reduce the fee for filing an electronic application for the registration of a trademark to $275 for any applicant who prosecutes the application through electronic means under such conditions as may be prescribed by the Director. Beginning in fiscal year 2006, the provisions of the second and third sentences of section 31(a) of the Trademark Act of 1946 shall apply to the fees established under this section.

(b) REFERENCE TO TRADEMARK ACT OF 1946.—For purposes of this section, the ''Trademark Act of 1946'' refers to the Act entitled ''An Act to provide for the reg-

istration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes.'', approved July 5, 1946 (15 U.S.C. 1051 et seq.).

SEC. 4. CORRECTION OF ERRONEOUS NAMING OF OFFICER.

(a) CORRECTION.—Section 13203(a) of the 21st Century Department of Justice Appropriations Authorization Act (Public Law 107–273; 116 Stat. 1902) is amended—

(1) in the subsection heading, by striking ''COMMISSIONER'' and inserting ''DIRECTOR''; and

(2) in paragraphs (1) and (2), by striking ''Commissioner'' each place it appears and inserting ''Director''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective as of the date of the enactment of Public Law 107–273.

SEC. 5. PATENT AND TRADEMARK FUNDING.

Section 42(c) of title 35, United States Code, is amended—

(1) by striking ''(c)'' and inserting ''(c)(1)''; and

(2) by adding at the end the following new paragraph:

''(2) There is established in the Treasury a Patent and Trademark Fee Reserve Fund. If fee collections by

the Patent and Trademark Office for a fiscal year exceed the amount appropriated to the Office for that fiscal year, fees collected in excess of the appropriated amount shall be deposited in the Patent and Trademark Fee Reserve Fund. After the end of each fiscal year, the Director shall make a finding as to whether the fees collected for that fiscal year exceed the amount appropriated to the Patent and Trademark Office for that fiscal year. If the amount collected exceeds the amount appropriated, the Director shall, if the Director determines that there are sufficient funds in the Reserve Fund, make payments from the Reserve Fund to persons who paid patent or trademark fees during that fiscal year. The Director shall by regulation determine which persons receive such payments and the amount of such payments, except that such payments in the aggregate shall equal the amount of funds deposited in the Reserve Fund during that fiscal year, less the cost of administering the provisions of this paragraph.''

SEC. 6. REPEAL OF PATENT AND TRADEMARK FEE PROVISIONS OF THE CONSOLIDATED APPROPRIATIONS ACT, 2005.

Title VIII of division B of the Consolidated Appropriations Act, 2005 (35 U.S.C. 41 note; Public Law 108–447; 118 Stat. 2924) is repealed.

SEC. 7. EFFECTIVE DATE, APPLICABILITY, AND TRANSITIONAL PROVISION.

(a) EFFECTIVE DATE.—Except as otherwise provided in this Act and this section, this Act and the amendments made by this Act shall take effect as of December 8, 2004.

(b) APPLICABILITY.—

(1)(A) Except as provided in subparagraphs (B) and (C), the amendments made by section 2 shall apply to all patents, whenever granted, and to all patent applications pending on or filed after the effective date set forth in subsection (a) of this section.

(B)(i) Except as provided in clause (ii), sections 41(a)(1), 41(a)(3), and 41(d)(1) of title 35, United States Code, as amended by this Act, shall apply only to—

(I) applications for patents filed under section 111(a) of title 35, United States Code, on or after the effective date set forth in subsection (a) of this section, and

(II) international applications entering the national stage under section 371 of title 35, United States Code, for which the basic national fee specified in section 41 of title 35, United States Code, was not paid before the ef-

fective date set forth in subsection (a) of this section.

(ii) Section 41(a)(1)(D) of title 35, United States Code as amended by this Act, shall apply only to applications for patent filed under section 111(b) of title 35, United States Code, before, on, or after the effective date set forth in subsection (a) of this section in which the filing fee specified in section 41 of title 35, United States Code, was not paid before the effective date set forth in subsection (a) of this section.

(C) Section 41(a)(2) of title 35, United States Code, as amended by this Act, shall apply only to the extent that the number of excess claims, after giving effect to any cancellation of claims, is in excess of the number of claims for which the excess claims fee specified in section 41 of title 35, United States Code, was paid before the effective date set forth in subsection (a) of this section.

(2) The amendments made by section 3 shall apply to all applications for the registration of a trademark filed or amended on or after the effective date set forth in subsection (a) of this section.

(c) TRANSITIONAL PROVISIONS.—

(1) SEARCH FEES.—During the period beginning on the effective date set forth in subsection (a) of this section and ending on the date on which the Director establishes search fees under the authority provided in section 41(d)(1) of title 35, United States Code, the Director shall charge—

(A) for the search of each application for an original patent, except for design, plant, provisional, or international application, $500;

(B) for the search of each application for an original design patent, $100;

(C) for the search of each application for an original plant patent, $300;

(D) for the search of the national stage of each international application, $500; and

(E) for the search of each application for the reissue of a patent, $500.

(2) TIMING OF FEES.—The provisions of section 111(a)(3) of title 35, United States Code, relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in paragraph (1) with respect to an application filed under section 111(a) of title 35, United States Code. The provisions of section 371(d) of title 35, United States Code, relating to the payment of the national

fee shall apply to the payment of the fee specified in paragraph (1) with respect to an international application.

(3) REFUNDS.—The Director may by regulation provide for a refund of any part of the fee specified in paragraph (1) for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under section 131 of title 35, United States Code, and for any applicant who provides a search report that meets the conditions prescribed by the Director.

SEC. 8. DEFINITION.

In this Act, the term ''Director'' means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

SEC. 9. CLERICAL AMENDMENT.

Subsection (c) of section 311 of title 35, United States Code, is amended by aligning the text with the text of subsection (a) of such section.

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Chairman SENSENBRENNER. The Chair recognizes the gentleman from Texas, Mr. Smith, to strike the last word.

Mr. SMITH. Mr. Chairman, I move to strike the last word.

Chairman SENSENBRENNER. The gentleman's recognized.

Mr. SMITH. Mr. Chairman, the Patent and Trademark Fee Modernization Act of 2005 enables the Patent and Trademark Office to implement its revised Strategic Business Plan by making permanent a new fee schedule enacted last year that will generate extra revenue for the agency.

This is a crucial step toward improving patent and trademark quality while reducing application backlogs and pendency at the agency.

These goals are critical to the health of cutting-edge industries and our economy. Americans lead the world in the production and export of intellectual property and related goods and services.

Time is money in the intellectual property world. If the PTO cannot issue quality patents and trademarks in a timely manner, then inventors and trademark filers are the losers.

Through the granting of patents and registration of trademarks, the PTO affects the vitality of businesses and entrepreneurs, paving the way for investment capital and research and development. Intellectual property-based industries represent the largest single sector of the U.S. economy. Approximately 50 percent of U.S. exports now depend on some form of IP protection.

The downside to the increasing importance of intellectual property protection is that the PTO is staggering under an increasingly complex and massive workload.

Patent pendency—the amount of time a patent application is pending before a patent is issued—now averages over 2 years. Without fundamental changes in the way the PTO operates, average pendency in these issues will likely double to 6 to 8 years.

Moreover, the backlog of applications awaiting a first review by an examiner will grow from the current level of 475,000 to over a million. These delays pose a threat to American businesses and entrepreneurs. The nature of technology and the nature of the marketplace make these delays unacceptable and unsustainable.

In order to fund the initiatives set forth in the strategic plan, we must make the new fee schedule permanent. The proposed fee changes accurately reflect the PTO's cost of doing business and will benefit PTO's customers by reducing application filing fees and allowing applicants to evaluate the commercial value of their inventions and recover the cost of search and examination as the situation warrants.

Most importantly, the new fee structure will enable the PTO to reduce pendency time, improve quality and customer service through electronic processing, and gain greater enforcement of intellectual property rights abroad. For example, the additional revenue provided by the fee bill will allow the PTO to hire an additional 2,900 patent examiners and move to the full electronic processing of patent and trademark applications.

The only difference between H.R. 2791 and H.R. 1561, the fee bill from the 108th Congress, is that the effective date has been changed to supersede the corresponding provisions in the omnibus appropriations act.

Mr. Chairman, the House passed H.R. 1561 last year by a vote of 379–28. For our purposes, this is a bipartisan and non-controversial measure that benefits our high-tech economy.

I hope my colleagues support the bill, and, Mr. Chairman, I yield back the balance of my time.

Chairman SENSENBRENNER. The gentlewoman from California is recognized for 5 minutes.

Ms. LOFGREN. Mr. Chairman, I am pleased to be a cosponsor of this bill, and I'm also happy that the bill was reported favorably by voice vote from the Subcommittee on Courts, Internet, and Intellectual Property. As the Chairman has mentioned, this is basically the same bill as last year except with the dates changed. We had a great vote in the House. Unfortunately, the Senate did not follow along, so we need to start this process over again.

As the Chairman has mentioned, pendency is a terrible problem in the Patent Office. In fact, with pendencies of 2 years or more, the pendency exceeds product cycle dates. This is a terrible situation for American technology and innovation, and in order to fully fund the 21st century strategic plan, we need to adopt this bill.

As the Committee may know, over the past 11 fiscal years, over $700 million in patent fees have been diverted to other projects. In the past, we've discussed this as kind of a special tax on innovation, and what this bill does I think is quite clever. In Section 5 of the bill, it designates that the funds, all of the patent fees will be used for Patent Office projects. And should that not occur, the fees will be rebated to the patent applicants, removing any incentive that appropriators might have to try and divert the fees.

We have strong bipartisan support for this measure. I am pleased that we're starting again in the House, and I am looking forward to working with my colleague, the Chairman, in trying to get the Senate to see the wisdom of our approach to this. It is very important to our country that the measure make it all the way to the President's desk for his signature. And I yield——

Mr. CONYERS. Would the gentlelady yield?

Ms. LOFGREN. I would yield.

Mr. CONYERS. Thank you. I just wanted to add that the measure before us requires that contractor employees conducting searches must all be citizens, and in addition, we're prohibiting contractors from having any financial interest in any patent application, which mimics the statutory provision that prevents PTO employees from submitting their own applications. And I support the position of the gentlelady from California that we all support the legislation.

Thank you.

Ms. LOFGREN. And I yield back. Thank you.

Chairman SENSENBRENNER. Without objection, all Members may include opening statements in the record at this point.

Are there any amendments?

Mr. KING. Mr. Chairman?

Chairman SENSENBRENNER. The gentleman from Iowa, Mr. King, for what purpose do you——

Mr. KING. Move to strike the last word.

Chairman SENSENBRENNER. The gentleman is recognized for 5 minutes.

Mr. KING. Thank you, Mr. Chairman.

I want to thank Subcommittee Chairman Smith for bringing this legislation. I want to acknowledge at the beginning that the knowledge base on his Subcommittee is far greater than the knowledge base that I'm speaking from here today. I'm going to support this bill out of Committee, and just for the record, I wanted to register a couple of concerns, and one is that because of the fee structure, I am concerned that individual entrepreneurs may have more difficulty than they've had in the past, and I trust that that's been considered in this analysis.

And the question of—since we have about $200 billion in intellectual property that's pirated or stolen from United States entrepreneurs, the question of does this make that information more available or less available to those pirates is another one of the issues that I'm concerned about.

So, on balance, I think this is a good bill, but I do have my reservations, and I appreciate the opportunity to speak on it, and I yield the balance of my time.

Chairman SENSENBRENNER. Are there any amendments to the bill? Are there any amendments to the bill?

[No response.]

Chairman SENSENBRENNER. Hearing none, a reporting quorum is present. The question occurs on the motion to report the bill H.R. 2791 favorably. All in favor, say aye? Opposed, no?

The ayes appear to have it. The ayes have it. The motion to report favorably is agreed to. Without objection, the staff is directed to make any technical and conforming changes, and all Members will be given 2 days as provided by the rules in which to submit additional, dissenting, supplemental, or minority views.

[Intervening business.]

This concludes the business for which this markup was called. The Chair thanks everybody for dealing with these matters expeditiously, and without objection, the Committee stands adjourned.

[Whereupon, at 11:37 a.m., the Committee was adjourned.]

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