

PROVIDING FOR CONSIDERATION OF H.R. 1561, UNITED STATES PATENT AND TRADEMARK FEE MODERNIZATION ACT OF 2003

MARCH 2, 2004.—Referred to the House Calendar and ordered to be printed

Mr. LINDER, from the Committee on Rules,
submitted the following

R E P O R T

[To accompany H. Res. 547]

The Committee on Rules, having had under consideration House Resolution 547, by a record vote of 8 to 1, reports the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for consideration of H.R. 1561, the United States Patent and Trademark Fee Modernization Act of 2003, under a structured rule. The rule provides one hour of general debate equally divided and controlled by the chairman and ranking minority member of the Committee on the Judiciary.

The rule provides that the amendment in the nature of a substitute recommended by the Committee on the Judiciary now printed in the bill shall be considered as an original bill for the purpose of amendment, and shall be considered as read. The rule waives all points of order against the Committee amendment in the nature of a substitute.

The rule makes in order only those amendments to the Committee amendment in the nature of a substitute which are printed in this report, and provides that those amendments may be offered only in the order printed in this report, may be offered only by a Member designated in this report, shall be considered as read, shall be debatable for the time specified in this report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question in the House or in the Committee of the Whole. The rule waives all points of order against the amendments printed in this report.

Finally, the rule provides one motion to recommit with or without instructions.

COMMITTEE VOTES

Pursuant to clause 3(b) of House rule XIII the results of each record vote on an amendment or motion to report, together with the names of those voting for and against, are printed below:

Rules Committee record vote No. 223

Date: March 2, 2004.

Measure: H.R. 1561, U.S. Patent and Trademark Fee Modernization Act of 2003.

Motion by: Mr. Linder.

Summary of motion: To report the resolution.

Results: Agreed to 8 to 1.

Vote by Members: Linder—Yea; Pryce—Yea; Diaz-Balart—Yea; Hastings (WA)—Yea; Myrick—Yea; Sessions—Yea; McGovern—Yea; Hastings (FL)—Nay; Dreier—Yea.

SUMMARY OF AMENDMENTS MADE IN ORDER UNDER THE RULE

(Summaries derived from information provided by amendment sponsors.)

1. Sensenbrenner: The amendment creates a “refund” program to eliminate the potential incentive for diverting PTO revenue to non-PTO programs. If fee collections in a given fiscal year exceed the amount appropriated to the agency, the excess or overage shall be deposited in a PTO “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. The amendment changes the basic effective date from October 1, 2003, to October 1, 2004, or the date of enactment, whichever is later.

Under existing law, the Director may raise most fees based on the CPI. The amendment supplements this authority by allowing the Director to raise fees based on the CPI for “processing, services, or materials relating to patents not specified” in the fee schedule. Recovery of these administrative costs will help the agency with its funding shortfall.

The bill as reported contains a pilot program to determine the efficacy of allowing commercial entities to perform the search function, thereby relieving the agency of the burden and freeing up examiners to do other work. The amendment specifies that participation in the pilot program will be restricted to American businesses and American citizens.

The amendment limits the Director’s discretion to prescribe the search fee for commercial entities. For the first three years, he may not establish a fee in excess of \$500 (or less in some cases) and for the next three years this figure may not increase by more than 20% annually.

Finally, in furtherance of the ongoing modernization efforts at PTO, the Director shall reduce the filing fee for any small entity,

independent inventor, or nonprofit organization by 75% provided those so qualified file their applications electronically. (20 minutes)

2. Manzullo: The amendment: (1) establishes an inflation-adjusted freeze on all fees for micro-entities defined as firms or independent inventors with up to 15 employees and net worth not exceeding \$2 million (without regard to bona fide pensions and similar retirement accounts); (2) makes the traditional small entity 50% discount under Patent Law applicable to search fees for intermediate small entities defined as having between 16 and 500 employees and a net worth not exceeding \$7 million; this category also establishes a cap on outsourced patent search fees at \$500, equal to the cap established by the bill on search fees performed by the PTO in-house; and (3) includes a certification requirement, in addition to the certification on each PTO application as to small entity fee eligibility, preventing large entities from qualifying for the small entity discount illegitimately. (20 minutes)

3. Jackson-Lee: Requires that a substantial number of the outsource contracts be awarded to: (1) American businesses, and (2) small, minority-owned businesses, or businesses owned by women. (20 minutes)

TEXT OF AMENDMENTS MADE IN ORDER UNDER THE RULE

1. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE SENSENBRENNER OF WISCONSIN, OR HIS DESIGNEE, DEBATABLE FOR 20 MINUTES

Strike section 5 and insert the following:

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.”.

In section 6(a), strike “Except as” and all that follows through the end of the sentence and insert “Except as otherwise provided in this Act and this section, this Act and the amendments made by this Act shall take effect on October 1, 2004, or on the date of the enactment of this Act, whichever occurs later.”.

Page 12, strike lines 17 through 20 and insert the following:

(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 2005.

(2) CONFORMING AMENDMENT.—Effective October 1, 2004, section 41(f) of title 35, United States Code, is amended by striking “(a) and (b)” and inserting “(a), (b), and (d)”.

Page 11, add the following after line 24:

“(F) If the requirements of subparagraph (E) are met, 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.

Page 12, insert the following after line 16 and redesignate the succeeding subsections accordingly:

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

(1) in paragraph (1), by striking “Fees” and inserting “Subject to paragraph (3), fees”; 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.”.

Page 8, line 3, add the following after the period: “For the 3-year period beginning on October 1, 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.”.

2. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE MANZULLO OF ILLINOIS, OR HIS DESIGNEE, DEBATABLE FOR 20 MINUTES

Page 12, insert the following after line 16 and redesignate the succeeding subsections accordingly:

(d) FEES FOR SMALL ENTITIES.—Section 41(h) of title 35, United States Code, is amended by adding at the end the following new paragraphs:

“(3)(A) The fees and surcharges in effect on February 10, 2004, under paragraphs (1) and (2) for entities described in subparagraph (D) shall remain in effect for such entities after that date, subject to subparagraph (B). The fees charged under subsection (d) shall be reduced by 50 percent for entities described in subparagraph (D), and shall remain in effect for such entities after that date, subject to subparagraph (B).

“(B) A fee or surcharge to which subparagraph (A) applies may be adjusted on October 1, 2009, and on October 1 of each 5th year thereafter, to reflect any fluctuations during the preceding 5-year

period in the Consumer Price Index, as determined by the Secretary of Commerce. Changes of less than 1 percent may be ignored.

“(C) No fee or surcharge under this section may be imposed on any entity described in subparagraph (D) after February 10, 2004, for any purpose other than the purposes for which fees and surcharges under this section are in effect with respect to such entity on that date.

“(D) An entity is described in this subparagraph if it is—

“(i) an individual whose net worth does not exceed \$2,000,000 (calculated by subtracting personal liabilities from personal assets, without regard to pension, 401(k), or similar retirement accounts); or

“(ii) an owner of an unincorporated business, or any partnership, corporation, association, unit of local government, or organization, the net worth of which does not exceed \$2,000,000 (calculated by subtracting the liabilities of the entity from its assets, without regard to pension, 401(k), or similar retirement accounts), and which has no more than 15 employees.

“(4)(A) With respect to any entity described in subparagraph (B), the fees under subsections (a), (b), and (d) shall be reduced by 50 percent, and not more than \$500 may be charged for a search by a qualified search authority of a patent application by such an entity.

“(B) An entity is described in this subparagraph if it is not covered by paragraph (3)(D) and is—

“(i) an individual whose net worth does not exceed \$7,000,000 (calculated by subtracting personal liabilities from personal assets); or

“(ii) an owner of an unincorporated business, or any partnership, corporation, association, unit of local government, or organization, the net worth of which does not exceed \$7,000,000 (calculated by subtracting the liabilities of the entity from its assets), and which has no more than 500 employees.

“(5) Paragraph (3) or (4) applies to an entity only if the entity certifies to the Director its eligibility under such paragraph.

“(6) Paragraphs (1) and (2) apply to entities described in paragraph (1) that are not covered by paragraph (3)(D) or (4)(B).”.

3. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE JACKSON-LEE OF TEXAS, OR HER DESIGNEE, DEBATABLE FOR 20 MINUTES

Page 11, add the following after line 24:

“(F) If the requirements of subparagraph (E) are met, the Director shall ensure that a substantial number of searches by qualified search authorities that are commercial entities are conducted 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, or are small business concerns, minority-owned business concerns, or business concerns that are owned by women.