

NLWJC - Kagan

Counsel - Box 023- Folder 017

Patent Office

09/11/96 WED 17:33 FAX

annual performance agreement shall incorporate measurable goals as delineated in an annual performance plan agreed to by the Commissioner and the Secretary."

Page 13, line 24, strike "only for cause" and insert in lieu thereof ". The President shall provide notification of any such removal to both Houses of Congress."

Page 14, lines 24-25, strike "an Inspector General and such other"

Page 15, lines 21-22, strike "the Commissioner for the year involved" and insert "level II of the Executive Schedule under section 5313 of Title 5"

Page 16, after line 21, insert the following new subsection: ""(G) Section 2302(b)(8) (relating to whistleblower protection) and whistleblower related provisions in Chapter 12 (covering the role of the Office of Special Counsel)."

Page 21, line 7, after "develop", insert "hiring practices,"

Page 21, line 15, delete "and 3320" and insert "3320, 3502 and 3504"

Page 25, strike lines 14 through 16 and insert "(5) TRANSITION PROVISIONS.--(A) On or after"

Page 25, line 18, strike "may" and insert "the President shall appoint a Commissioner of Patents and Trademarks who will"

Page 25, line 20, strike "is appointed" and insert "qualifies"

Page 25, line 20, after "(a).", insert "The President shall not make more than one such appointment under this subsection."

Page 33, strike line 10

Page 33, line 11, strike "(1)" and insert "(a)"

Page 33, strike line 17 and all that follows through page 34, line 11, and insert "(b) REPRESENTATION BY THE DEPARTMENT OF JUSTICE.--The United States Patent and Trademark Office shall be deemed an agency of the United States for purposes of 28 U.S.C. 516."

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

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

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

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

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

23 “(6) REMOVAL.—The Commissioner may be re-
 24 moved from office by the President ~~only for cause.~~ ^{The President shall communicate the}
¹ ~~reasons for any such~~ ^{removal to both Houses}
~~of Congress.~~



THE SECRETARY OF COMMERCE

Washington, D.C. 20230

SEP 12 1996

Honorable Carlos J. Moorhead
Chairman, Subcommittee on Courts
and Intellectual Property
Committee on the Judiciary
House of Representatives
Washington, D.C. 20515-6219

Dear Mr. Chairman:

Thank you for your letter regarding Title I of H.R. 3460. The Department of Commerce is pleased that we have been able to work together in a truly bipartisan effort to "reinvent" the Patent and Trademark Office. We appreciate your staff's and Ranking Member Schroeder's staff's work to address the Administration's concerns with Title I. The Administration believes that the changes that we have crafted together in the en banc floor manager's amendment will create an organization consistent with the essential principles of the Vice President's vision for a Performance Based Organization, to further our mutual goal of creating a more efficient and effective patent and trademark office. In light of these changes, the Administration strongly supports House passage of H.R. 3460 with the en banc manager's amendment.

It is our joint vision to have a more business-like patent and trademark organization that can better serve the public and the innovators whose ideas are the engine of growth for our economy. By granting the new organization operational flexibility in exchange for greater accountability for achieving measurable goals, delineated in an annual performance agreement between the Secretary of Commerce and the Commissioner, the bill makes that vision a reality.

It is also our joint view that the Executive Branch must, as you put it, "be able to establish an integrated policy on commercial and technology issues." By making clear that the bill does not alter the Secretary of Commerce's statutory responsibility for directing patent and trademark policy with respect to the duties of the Patent and Trademark Office, we have ensured the continuity of appropriate policy direction and oversight.

We also believe that other changes you have added to address Administration concerns, such as ensuring that there is independent Inspector General oversight and adequate personnel safeguards, will strengthen accountability mechanisms that we all endorse. The Administration is also pleased that the en banc

The Honorable Carlos J. Moorhead

Page 2

manager's amendment addresses the central Constitutional and policy concerns of the Department of Justice with Title I.

We are committed to continuing to work together this year and in the future to perfect this bipartisan effort to invent anew the Patent and Trademark Office so that it will remain one of the Nation's most important resources for protecting and encouraging the preeminence of American innovation. We believe, for example, that there is still further work that we must do to address our concerns in the area of procurement, where we believe that the exemptions are broader than necessary to provide the flexibilities required.

H.R. 3460 contains five other titles that we believe will substantially improve the level of patent protection provided in the United States. These patent reforms are supported by the Administration and are of great importance to the Nation's economic competitiveness. We hope that they can be enacted in legislation this session.

Title II provides for the publication of patent applications eighteen months after the date on which they are filed or from the date on which the earliest referenced application was filed. This publication will help prevent economic disruption by those who now delay the grant of patents to extend their period of protection unfairly. It will also promote patent law harmonization that in the longer term will make it easier and cheaper for our small businesses and individual inventors to obtain protection abroad, as well as discouraging duplicative research. As a safeguard for those whose applications are published, it establishes a provisional patent right that allows a patent owner to obtain a reasonable royalty if, between the date of publication and the date of grant, another party infringes an invention substantially identically claimed in the published application and the patent. Also, it makes some administrative delays a basis for extension of the patent term, to ensure that diligent applicants are fully protected.

Title III creates a defense to an infringement action for parties that can establish prior use in commerce, including use in the design, testing, or production in the United States of a product or service before the date a patent application was filed in the United States or before the priority filing date. This ensures that inventors, who do not seek patent protection, will not be precluded unfairly from practicing their invention by other inventors who later obtain patent protection for the same invention.

The Honorable Carlos J. Moorhead
Page 3

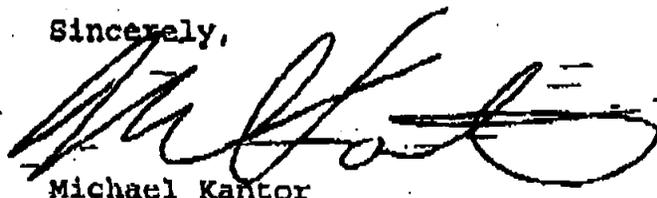
Title IV is aimed at ensuring that inventors are fully informed prior to entering into a contract for invention development services. It also provides a cause of action if the service provider makes fraudulent claims or neglects to disclose material information to the inventor.

Title V amends the patent reexamination procedure to allow greater participation of third parties who request reexamination and expands the grounds for examination. Enhanced reexamination procedures will provide a less expensive and more timely alternative to costly patent litigation.

Lastly, Title VI contains several miscellaneous or "housekeeping" amendments, including one to ensure that our law provides priority consistent with our obligations to WTO countries and one to authorize submission of patent applications through electronic media. However, the Department of Justice opposes section 604 and the Administration urges that this provision be deleted. The recovery of attorneys' fees by individuals and small businesses from the Government in cases brought pursuant to 28 U.S.C. § 1498(a) is already provided in the Equal Access to Justice Act (EAJA), 28 U.S.C. § 2412(d). By contrast to EAJA, section 604 would provide for attorneys' fees even where the position taken by the Government is substantially justified by the law. This provision would, in fact, place the Government in a worse position than a private defendant in a patent infringement suit, against whom attorney fees can be awarded in "exceptional" cases. The provisions would discourage appropriate settlements and engender unnecessary litigation, by allowing private litigants to reject reasonable settlement offers safe in the knowledge that the Government will pay their attorneys' fees even if they are awarded damages less than the settlement offer. For these reasons, the Administration will continue to seek deletion of Section 604 before final Congressional action on this legislation.

Once again, we thank you for your commitment to working together in the spirit of bipartisan cooperation to craft legislation that provides for important patent reforms to help to ensure our nation's continued economic growth. The Administration strongly supports House passage of H.R. 3460 with the en banc manager's amendment.

Sincerely,



Michael Kantor

Handwritten note:
with underlines

Option A: In the event the President removes the Commissioner of Patents and Trademarks, the President shall notify both Houses of Congress and should, to the extent he deems it appropriate, communicate the reasons for the removal.

Option B: In the event the President removes the Commissioner of Patents and Trademarks, the President [shall/should] communicate the reasons for the removal to both Houses of Congress to the extent that the President determines[, in his sole discretion,] that communicating the reasons for the removal would be consistent with effective administration and supervision of the executive branch [and would not otherwise interfere with the exercise of the powers or duties of the Office of the President].

Option C: In the event the President removes the Commissioner of Patents and Trademarks, the President [shall/should] communicate the reasons for any such removal to both Houses of Congress, except to the extent that the President determines[, in his sole discretion,] that communicating the reasons for removal would be inconsistent with effective administration and supervision of the executive branch [or would otherwise interfere with the exercise of the powers or duties of the Office of the President].

* underlined language makes clear what we believe would be the correct construction of the provision even if that language is not included.

Jack + Kathy -

We need to decide on language for the patent bill quickly.

Above are 3 suggestions from OLC (with variations indicated by underlined language). Of the three, I like Option C with underlines.

Still a fourth suggestion is to end Option A after the word "Congress."

Handwritten note:
Remove both of

Handwritten initials:
LH

Elena

Memorandum



Subject

Proposed amendments to H.R. 3460

Date

September 10, 1996

To

Andrew Fois
Assistant Attorney General

From

Randolph D. Moss
Deputy Assistant
Attorney General

Handwritten signature of Randolph D. Moss in black ink.

We have reviewed the proposed letter of the Department of Commerce setting forth the Administration's views on H.R. 3460. We suggest one revision. After the last full paragraph on the first page of the letter (which concludes with a reference to the constitutional and policy concerns of the Department of Justice), add the following new paragraph:

The amendment itself, however, raises a new concern in that it would impose a requirement that the President "communicate the reasons for" removing the Commissioner to both Houses of Congress. The Constitution's very structure suggests the importance of maintaining the hallmarks of "executive administration essential to effective action." Myers v. United States, 272 U.S. 52, 134 (1926). The President's removal power is an important tool for achieving this goal. The amendment's practical effect could well be to disrupt the President's ability swiftly to discharge an official in whom the President loses confidence. As such, the reporting requirement may in its practical operation function as a barrier to effective executive administration.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

10-Sep-1996 03:50pm

TO: (See Below)

FROM: Jeffrey A. Weinberg
 Office of Mgmt and Budget, LRD

SUBJECT: Update on HR 3460 - Patent Reform

I understand from Commerce staff that:

1. The letter has not been sent but Commerce staff and Peter Jacoby have discussed it with subcommittee staff.
2. Subcommittee staff have rejected the Counsel's Office substitute language on removal of the Commissioner. Hill staff have offered a floor colloquy saying that the intent of the provision in the manager's amendment is notification of Congress of removal by the President.
3. Subcommittee staff say that Justice's problem with section 604 of the bill - attorneys' fees - is for the Administration to work out with Rep. Frost, the sponsor of the provision.
4. Subcommittee staff are pressing for a letter of unqualified Administration support for House passage of the bill, with the current manager's amendment - without any mention of items 2 and 3 above.

Peter Jacoby may be contacting you and Justice to discuss.

Distribution:

TO: John A. Koskinen
TO: Deborah L. Shaw
TO: Dorothy Robyn
TO: Elena Kagan

CC: Kenneth L. Schwartz
CC: Louisa Koch
CC: Robert Nabors
CC: Jonathan D. Breul
CC: James C. Murr
CC: James J. Jukes
CC: Robert G. Damus
CC: Steven D. Aitken

Option A: In the event the President removes the Commissioner of Patents and Trademarks, the President shall notify both Houses of Congress and should, to the extent he deems it appropriate, communicate the reasons for the removal.

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* underlined language makes clear what we believe would be the correct construction of the provision even if that language is not included.

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Above are 3 suggestions from OLC (with variations indicated by underlined language). Of the three, I like Option C with underlines.

Still a fourth suggestion is to end Option A after the word "Congress."

Elena



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPUTY DIRECTOR
FOR MANAGEMENT

September 10, 1996

TO: Elena Kagan
FROM: John A. Koskinen
RE: HR 3460

My email system is down so I'm faxing my response to you re: the above. The proposed language is acceptable to me.

cc: Weinberg
K. Schwartz
D. Robyn
Nabors
Mozingo
Koch
Gaisford

In the event the President removes the Commissioner of Patents and Trademarks, the President should communicate the reasons for any such removal to both Houses of Congress, except to the extent that the President determines, in his sole discretion, that communicating the reasons for removal would be inconsistent with effective administration and supervision of the executive branch or would otherwise interfere with the exercise of the powers or duties of the Office of the President.

DRAFT

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Chairman, Subcommittee on Courts
and Intellectual Property
Committee on the Judiciary
House of Representatives
Washington, D.C. 20515-6219

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It is our joint vision to have a more business-like patent and trademark organization that can better serve the public and the innovators whose ideas are the engine of growth for our economy. By granting the new organization operational flexibility in exchange for greater accountability for achieving measurable results, the bill makes that vision a reality.

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invent anew the Patent and Trademark Office so that it will remain one of the nation's most important resources for protecting and encouraging the preeminence of American innovation. We believe, for example, that there is still further work that we must do to address our concerns in the areas of procurement, where we believe that the exemptions are broader than necessary to provide the flexibilities required.

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Lastly, Title VI contains several miscellaneous or "housekeeping" amendments including one to ensure our law provides priority consistently with our obligations to WTO countries and one to authorize submission of patent applications through electronic media. However, section 604 of Title VI is of concern to the Department of Justice. The reasons for their concern are attached to this letter. We hope that we will be able to improve this provision, as we have so much else in the bill.

Once again, we thank you for your commitment to working together in the spirit of bipartisan cooperation to craft legislation, supported by the Administration, that provides for important patent reforms to help to ensure our nation's continued economic growth.

Sincerely,

Enclosure

Additional Comments on H.R. 3460

The Department of Justice is opposed to section 604 of Title VI. The recovery of attorneys' fees by individuals and small businesses from the Government in cases brought pursuant to 28 U.S.C. § 1498(a) is already provided in the Equal Access to Justice Act (EAJA), 28 U.S.C. § 2412(d). By contrast to EAJA, section 604 would provide for attorneys' fees even where the position taken by the Government is substantially justified by the law. This provision would, in fact, place the Government in a worse position than a private defendant in a patent infringement suit, against whom attorney fees can be awarded in "exceptional" cases. The provisions would discourage appropriate settlements and engender unnecessary litigation, by allowing private litigants to reject reasonable settlement offers safe in the knowledge that the Government will pay their attorneys' fees even if they are awarded damages less than the settlement offer.

**EN BANC AMENDMENT TO H.R. 3460
OFFERED BY MR. MOORHEAD**

Page 4, strike lines 17-23, and insert in lieu thereof the following:

"(b) OFFICES.--The United States Patent and Trademark Office shall maintain its principal office in the metropolitan Washington, D.C. area, for the service of process and papers and for the purpose of carrying out its powers, duties and obligations under this Act. The United States Patent and Trademark Office shall be deemed, for the purposes of venue in civil actions, to be a resident of the district in which its principal office is located. The United States Patent and Trademark Office may establish satellite offices in such places as it considers necessary and appropriate in the conduct of its business."

Page 5, line 10, insert ", under the policy direction of the Secretary of Commerce," after "Office"

Page 11, strike line 3 and all that follows through line 6

Page 11, insert after line 6 **"(c) CONSTRUCTION.--Nothing in this section shall be construed to nullify, void, cancel or interrupt any pending request-for-proposal let or contract issued by the General Services Administration for the specific purpose of relocating or leasing space to the United States Patent and Trademark Office."**

Page 12, line 4, after "manner", insert "and shall strive to meet the goals set forth in the performance agreement described in subsection (5) below"

Page 12, lines 6-7, insert ", and under the policy direction of," after "through"

Page 12, lines 14-15, insert ", and under the policy direction of," after "through"

Page 13, line 21, delete "level II" and insert "level III".

Page 13, line 22, after "title 5" insert "and, in addition, may receive as a bonus, an amount which would raise total compensation to the equivalent of the level of the rate of pay in effect for level I of the Executive Schedule under section 5312 of title 5, based upon an evaluation by the Secretary of Commerce of the Commissioner's performance as defined in an annual performance agreement between the Commissioner and the Secretary. The annual performance agreement shall incorporate measurable goals as delineated in an

(15. Duw 9/9/96)

annual performance plan *as agreed to between the Secretary and the Commissioner.* ~~proposed by the Commissioner.~~

Page 13, line 24, strike "only for cause" and insert in lieu thereof ". The President shall communicate the reasons for any such removal to both Houses of Congress."

Page 14, lines 24-25, strike "an Inspector General and such other"

Page 15, lines 21-22, strike "the Commissioner for the year involved" and insert "level II of the Executive Schedule under section 5313 of Title 5"

Page 16, after line 21, insert the following new subsection: ""(G) Section 2302(b)(6) (relating to whistleblower protection) and whistleblower related provisions in Chapter 12 (covering the role of the Office of Special Counsel)."

Page 21, line 7, after "develop", insert "hiring practices,"

Page 21, line 15, delete "and 3320" and insert "3320, 3502 and 3504"

Page 25, strike lines 14 through 16 and insert "(5) TRANSITION PROVISIONS.--(A) On or after"

Page 25, line 18, strike "may" and insert "the President shall appoint a Commissioner of Patents and Trademarks who will"

Page 25, line 20, strike "is appointed" and insert "qualifies"

Page 25, line 20, after "(a).", insert "The President shall not make more than one such appointment under this subsection."

Page 33, strike line 10

Page 33, line 11, strike "(1)" and insert "(a)"

Page 33, strike line 17 and all that follows through page 34, line 11, and insert "(b) REPRESENTATION BY THE DEPARTMENT OF JUSTICE.--The United States Patent and Trademark Office shall be deemed an agency of the United States for purposes of 28 U.S.C. 516."

Page 34, line 12, strike "(4)" and insert "(c)"

Page 34, strike line 16 and all that follows through page 36, line 12

Page 36, strike lines 13-24.

Page 37, strike lines 1-17 and redesignate following sections accordingly

Page 38, line 18, insert "only" after "be used" and before "for the"

Page 38, line 23, insert "only" after "be used" and before "for the"

Page 40, strike line 4 and all that follows through page 41, line 17, and redesignate following sections accordingly

Page 41, line 20, strike "otherwise provided in this title" and insert "relates to the direction of patent and trademark policy" after "Except as"

Page 47, strike lines 14-18 and insert "(20) Section 11(1) of the Inspector General Act of 1978 (5 U.S.C. App.) is amended by inserting "or the Commissioner of Patents and Trademarks" after "Social Security Administration". Section 11(2) of the Inspector General Act of 1978 is amended by inserting "the United States Patent and Trademark Office," after "Social Security Administration".

Page 58, strike lines 15 through 16 and insert "international application filed under the treaty defined in section 351(a) of this title designating the United States under Article 21(2)(a) of such treaty, the date of publication of the ap-"

Page 59, line 4, insert "," after "application"

Page 60, line 4, insert "defined in section 351(a) of this title" after "treaty"

Page 61, strike all that follows "patent" in line 6 through "language" in line 12.



UNITED STATES DEPARTMENT OF COMMERCE
Office of the General Counsel
Washington, D.C. 20230

September 6, 1996

MEMORANDUM FOR: DISTRIBUTION

FROM: Eugenie Barton (482-0445)
Office of the Assistant General Counsel
for Legislation and Regulation

SUBJECT: Amendments to H.R. 3460

Attached is the En Banc Manager's Amendment as received from the Committee. We have a problem with the failure to delete the Management Advisory Committee's input from the performance contract. I have also spoken to Elena Kagan, of the White House Counsel's Office, who is drafting a replacement sentence for the Congressional notification provision for Monday. I am also attaching an advanced draft of a letter to the Hill should these issues be resolved. This letter is also circulating within the Department, but I wanted you to have it as quickly as possible.

Please advise ASAP if you have any other problems with the Manager's Amendment. I will be out of the office on Monday and Tuesday. Please call Michael Levitt (482-3151) or Ellen Bloom (482-3663). Thanks.

Attachment

DISTRIBUTION:

Dorothy Robyn
Ellen Bloom
James Castello
Louisa Koch
Jeff Weinberg
Rob Nabors
Steve Kelman
Mike Levitt
Bob Rideout
Carmen Guzman-Lowrey
John Kamensky

6 pages to follow

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OFFERED BY MR. MOORHEAD**

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and Intellectual Property
Committee on the Judiciary
House of Representatives
Washington, D.C. 20515-6219

Dear Mr. Chairman:

Thank you for your letter regarding Title I of H.R. 3460. The Department of Commerce is pleased that we have been able to work together in a truly bipartisan effort to "reinvent" the Patent and Trademark Office. We appreciate your staff's and Ranking Member Schroeder's staff's work to address the Administration's concerns with Title I. The Administration believes that the changes that we have crafted together in the en banc floor manager's amendment have created a bill that embodies the essential principles of the Vice President's vision of a Performance Based Organization, to further our mutual goal of creating a more efficient and effective patent and trademark office.

It is our joint vision to have a more business-like patent and trademark organization that can better serve the public and the innovators whose ideas are the engine of growth for our economy. By granting the new organization operational flexibility in exchange for greater accountability for achieving measurable results, the bill makes that vision a reality.

It is also our joint view that the Executive Branch must, as you put it, "be able to establish an integrated policy on commercial and technology issues." By making clear that the bill does not alter the Secretary of Commerce's statutory responsibility for directing patent and trademark policy, we have ensured the continuity of appropriate policy direction and oversight.

We also believe that other changes that you have added to address Administration concerns, such as ensuring that there is independent Inspector General oversight and adequate personnel safeguards, will strengthen accountability mechanisms that we all endorse. The Administration is also pleased that the en banc manager's amendment addresses the central Constitutional and policy concerns of the Department of Justice with Title I.

However, the Department of Justice remains concerned about

section 604 of Title VI. The recovery of attorneys' fees by individuals and small businesses from the Government in cases brought pursuant to 28 U.S.C. § 1498(a) is already provided in the Equal Access to Justice Act (EAJA), 28 U.S.C. § 2412(d). By contrast to EAJA, section 604 would provide for attorneys' fees even where the position taken by the Government is substantially justified by the law. This provision would, in fact, place the Government in a worse position than a private defendant in a patent infringement suit, against whom attorney fees can be awarded in "exceptional" cases. The provisions would discourage appropriate settlements and engender unnecessary litigation, by allowing private litigants to reject reasonable settlement offers safe in the knowledge that the Government will pay their attorneys' fees even if they are awarded damages less than the settlement offer.

We are committed to continuing to work together this year and in the future, as necessary, to perfect this bipartisan effort to invent anew the Patent and Trademark Office so that it will remain one of the nation's most important resources for protecting and encouraging the preeminence of American innovation. [We believe, for example, that there is still further work that we must do to address our concerns in the areas of procurement and personnel, where we believe that the exemptions are broader than necessary to provide the flexibilities required.]

H.R. 3460 contains five other titles that we believe will substantially improve the level of patent protection provided in the United States. These patent reforms are supported by the Administration and are of great importance to the Nation's economic competitiveness. We hope that they can be enacted in legislation this session.

Title II provides for the publication of patent applications eighteen months after the date on which they are filed or from the date on which the earliest referenced application was filed. This publication will help prevent economic disruption by those who now delay the grant of patents to extend their period of protection unfairly. It will also promote patent law harmonization that in the longer term will make it easier and cheaper for our small businesses and individual inventors to obtain protection abroad, as well as discouraging duplicative research. As a safeguard for those whose applications are published, it establishes a provisional patent right that allows a patent owner to obtain a reasonable royalty if, between the date of publication and the date of grant, another party infringes an invention substantially identically claimed in the published application and the patent. Also, it makes some administrative delays a basis for extension of the patent term.

Title III creates a defense to an infringement action for parties that can establish prior use in commerce, including use in the design, testing, or production in the United States of a product or service before the date a patent application was filed in the

United States or the before the priority filing date. This ensures that inventors, who do not seek patent protection, will not be precluded unfairly from practicing their invention by other inventors who later obtain patent protection for the same invention.

Title IV is aimed at ensuring that inventors are fully informed prior to entering into a contract for invention development services. It also provides a cause of action if the service provider makes fraudulent claims or neglects to disclose material information to the inventor.

Title V amends the patent reexamination procedure to allow greater participation of third parties who request reexamination and expands the grounds for examination. Enhanced reexamination procedures will provide a less expensive and more timely alternative to costly patent litigation.

Lastly, Title VI contains several miscellaneous or "housekeeping" amendments including one to ensure our law provides priority consistently with our obligations to WTO countries and one to authorize submission of patent applications through electronic media.

Once again, we thank you for your commitment to working together in the spirit of bipartisan cooperation to produce a bill with patent reforms that will help to ensure our nation's continued economic growth.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

04-Sep-1996 06:46pm

TO: Elena Kagan

FROM: Kathleen M. Whalen
Office of the Counsel

SUBJECT: RE: attached

That's clearly better. I still feel no limitation is best, but if it turns out to be the only option other than a "reason why" notification, it is decidedly better.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

04-Sep-1996 06:25pm

TO: Dorothy Robyn

FROM: John A. Koskinen
Office of Mgmt and Budget

CC: Elena Kagan

SUBJECT: RE: Congressional Notification Issue/PTO

Thanks for the brief report of the brief meeting. Must be a new American record.

I have a call in to Jack Quinn on the notification issue and will let you know how it turns out.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

04-Sep-1996 03:59pm

TO: John A. Koskinen
TO: Elena Kagan

FROM: Dorothy Robyn
 National Economic Council

SUBJECT: Congressional Notification Issue/PTO

I was just up meeting w/ the House Judiciary Comm. staff on the PTO bill (John: I'm sure John Kamensky will give you a summary; it was a good and short (!!)) meeting.) When I indicated that we had not reached a final Administration position on the congressional notification issue, Rep. Schroeder's staff person spoke up to complain about Members reading it in the newspaper rather than being informed by the White House when someone senior is fired. She implied that that was the motivation (at least on Schroeder's part) for the language on notification.

I don't have a view on the disagreement between NPR/OMB and Counsel's office. But if Counsel's view prevails, one compromise w/ the Hill might be to have the President simply notify Congress without giving a reason for the removal of the Commissioner.

THE WHITE HOUSE

WASHINGTON

September 3, 1996

MEMORANDUM FOR JACK QUINN
KATHY WALLMAN

FROM: ELENA KAGAN *EK*
SUBJECT: REMOVAL PROVISIONS

Last week, Kathy and I became involved in a mini-controversy regarding a provision in legislation concerning the Patent and Trademark Office (PTO). Under current law, the President may remove the Commissioner of Patents and Trademarks at will. The provision in dispute, though not directly limiting the removal power, would require the President to provide Congress with a statement of his reasons for removing the Commissioner.

DOJ has opined (with, I must admit, some encouragement from me and Kathy) that such a provision "may not actually violate any rule of constitutional law," but is "contrary to policies that are deeply embedded in our constitutional structure." In particular, DOJ notes that the reporting requirement "may in its practical operation function as a barrier to effective executive administration" and may "undermine the President's accountability." The provision's incompatibility with these constitutional policies is, in DOJ's view, "strong counsel against the proposal's enactment." The draft of the OLC opinion letter is attached.

OMB and the Vice President's office (Elaine Kamarck) wish to accept (indeed, to encourage) such provisions -- with regard not only to the PTO, but also to numerous other governmental entities that it wishes to restructure as "performance-based organizations" (see attached list). According to John Koskinnen, many of the listed entities -- unlike the PTO -- are now headed by careerists, whom the President cannot remove in any event. In the case of entities now headed by political appointees, such as the PTO, Koskinnen argues that these positions in fact should be less subject to pure partisanship. In our conversation, however, Koskinnen seemed open to persuasion and compromise.

I just learned of a meeting at 3:00 today to discuss the patent legislation. If we wish to press for elimination of the reporting requirement, it would be helpful to do so at that meeting (though it will not be our last chance to do so). To do this, we have to let Koskinnen and Kamarck know within the next hour or so that we are very serious about this. Are we??

Memorandum



Subject Proposal to Require the President to Report to Congress the Grounds for Terminating the Commissioner of Patents and Trademarks	Date August 29, 1996
To Christopher Schroeder	From Neil Kinkopf

We understand that legislation is under consideration that would alter the President's relationship to the Commissioner of Patents and Trademarks. Currently, this official may be removed at will. The legislation would permit the President to remove the Commissioner for any reason, but would add a requirement that the President transmit to the Congress his reasons for removing the Commissioner.

While this mechanism may not represent a constitutionally impermissible limitation on the President's removal power, it does impose an obstacle to the exercise of that power in a manner that should be initiated by the executive branch only with great caution. The Constitution's very structure suggests the importance of maintaining the hallmarks of "executive administration essential to effective action" as well the accountability to the public that stems from vesting ultimate authority in a single, politically responsible officer. Myers v. United States, 272 U.S. 52, 134 (1926); see also The Federalist No. 70, at 476 (Alexander Hamilton) (Jacob E. Cooke ed., 1961) ("one of the weightiest objections to a plurality in the executive . . . is that it tends to conceal faults, and destroy responsibility"). The primary tool by which the Constitution secures the President's ability to discharge "executive administration essential to effective action" is the removal power. Writing for the Court, Chief Justice, and former President, William Howard Taft explained: "Made responsible under the Constitution for the effective enforcement of the law, the President needs as an indispensable aid to meet it the disciplinary influence upon those who act under him of a reserve power of removal." Myers, 272 U.S. at 132. Chief Justice Taft continued,

[the President] must place in each member of his official family, and his chief executive subordinates, implicit

faith. The moment that he loses confidence in the intelligence, ability, judgment or loyalty of any one of them, he must have the power to remove him without delay. To require him to file charges and submit them to the consideration of [another tribunal] might make impossible that unity and co-ordination in executive administration essential to effective action.

Myers, 252 U.S. at 134.

In Myers, the Court was expressly addressing a provision that required the Senate to approve the President's decision to remove an officer. Although the proposed legislation would not require the President to await congressional approval, its practical effect could well be to disrupt the President's ability swiftly to discharge an official in whom the President loses confidence. Indeed, experience teaches that when Congress attaches a reporting requirement to the President's removal power over a particular office, Congress expresses its expectation that the President will remove such an officeholder only for a limited class of causes and only once the cause is well established. As such, the reporting requirement may in its practical operation function as a barrier to effective executive administration.

Moreover, this requirement may undermine the President's accountability. As Chief Justice Taft pointed out, the Constitution makes the President responsible for the execution of the law and ultimately holds the President accountable for the conduct of the President's subordinates. To the extent that the requirement would operate to insulate managerial decision making from the President's control, the President will be held accountable for decisions that he had no actual or effective opportunity to influence, for the President retains, albeit only formalistically, the authority to exert influence.

Because the proposed limitation on the President's removal power would detract from efficient administration and execution of the laws and would cloud executive accountability, it is contrary to policies that are deeply embedded in our constitutional structure. Although the proposal may not actually violate any rule of constitutional law, its incompatibility with these fundamental policies is strong counsel against the proposal's enactment.

PERFORMANCE BASED ORGANIZATIONS (PBOs) CANDIDATES
as of 05/20/96

GROUP A = Announced in the Vice President's Speech on March 4, 1996 and in the FY 1997 Presidential Budget.

GROUP B = Not in the Speech or the Budget.

Department	Candidate Function or Agency	Conversion Team Members	Phone Number	FAX Number
PMC	Sub-group on PBOs	John Koskinen. OMB Tino Kamarek. Export/Import David Barram. GSA Mort Downey, DOT Madeleine Kunin. ED Richard Moose. State Dwight Robinson. HUD		
Advisory Group		Jonathan Breul. OMB John Kamensky. NPR Mary Mazingo. NPR Piper Starr. Export-Import	202-395-5670 202-632-0150x103 202-632-0150x116 202-565-3767	202-395-697 202-632-039 202-632-039 202-565-377
Agriculture GROUP A	Inspection of International Travelers and Cargo (Agricultural Quarantine & Inspection Service - APHIS)	Lonnie King. APHIS Terry Medley. APHIS Donald Husnik. APHIS Charles Rawls. USDA Scott Schearer. USDA/Leg Mary Mazingo. NPR Noah Engelberg. OMB	202-720-3668 202-720-3861 202-720-5601 202-720-6158 202-720-7095 202-632-0150x116 202-395-4763	202-720-30 202-720-30 202-690-04 202-720-54 202-720-80 202-632-03 202-395-49
Commerce GROUP A	Intellectual Property Rights (PTO)	Brad Huther. PTO Alan Balutis. DOC Eugenie Barton. DOC/Leg John Kamensky. NPR Sarah Laskin. OMB	703-305-9200 202-482-3490 202-482-0445 202-632-0150x103 202-395-3918	703-305-90 202-482-33 202-482-05 202-632-05 202-395-11
Commerce GROUP A	Technical Information Dissemination (NTIS)	Don Johnson. NTIS Alan Balutis. DOC Mark Bohannon. TA/Leg Eugenie Barton. DOC/Leg John Kamensky. NPR Lisa Gaisford. OMB	703-487-4636 202-482-3490 202-482-1984 202-482-0445 202-632-0150x103 202-395-3480	703-487-40 202-482-30 202-482-00 202-482-00 202-632-00 202-395-10
Commerce GROUP B	Mapping and Charting	Donald Pryor. NOS Glenn Tallia. NOS Sue Fruchter. NOAA Alan Balutis. DOC Peter Dalmut. DOC/Leg John Kamensky. NPR Sarah Laskin. OMB	301-713-2780x169 301-713-2967 202-482-5916 202-482-3490 202-482-3084 202-632-0150x103 202-395-3918	301-713-4 301-713-4 202-482-1 202-482-3 202-482-0 202-632-0 202-395-1

Department	Candidate Function or Agency	Conversion Team Members	Phone Number	FAX Number
Commerce GROUP B	Seafood Inspection	Seafood Inspection James Brennan. NOAA Susan Fruchter. NOAA Alan Balutis. DOC Peter Dalmut. DOC/Leg John Kamensky. NPR Sarah Laskin. OMB	202 202-482-4080 202-482-5916 202-482-3490 202-482-3084 202-632-0150x103 202-395-3918	202 202-482-4890 202-482-1150 202-482-3360 202-482-0510 202-632-0390 202-3951150
Defense GROUP A	Defense Commissary Agency (DeCA)	John McGowan. DeCA Dan Sciater. DeCA Blair Ewing. DOD Barbara Heffernan DOD/Leg George Berquist. DOD Marv Voskuhl. NPR Dan Costello. OMB	804-734-8727 703-695-3265 703-697-8580 703-697-7197 703-614-5789 202-632-0150x141 202-395-4570	804-734-824 703-695-365 703-697-272 703-614-337 703-614-579 202-632-039 202-395-572
Education GROUP B	Student Aid Services	Leo Kornfeld. OSFAP/OPE Michael Gordon. ED Thomas Wolanin. ED/Leg David Longanecker. ED Donald Wurtz. ED Ken Folo. ED Glenn Perry. ED/Proc Mary Mazingo. NPR Barry White. OMB Patricia Smith. OMB	202-708-8391 202-205-0724 202-401-1028 202-708-5547 202-401-0085 202-205-0706 202-708-9781 202-632-0150x116 202-395-4532 202-395-5880	202-708-715 202-401-309 202-401-141 202-708-98 202-401-001 202-401-30 202-708-83 202-632-03 202-395-77 202-395-48
HUD GROUP A	Mortgage Insurance Services (FHA)	Sarah Rosen. FHA Monica Schuster. HUD Monica Sussman. HUD/Leg Alan Lombard. NPR Ted Wartell. OMB	202-708-3600 202-708-0123 202-708-0636 202-632-0150x119 202-395-1482	202-708-25 202-708-27 202-708-33 202-632-03 202-395-13
HUD GROUP A	Mortgage Insurance Services (GNMA)	George Anderson. GNMA Monica Schuster. HUD Monica Sussman. HUD/Leg Alan Lombard. NPR Ted Wartell. OMB	202-708-4141 202-708-0123 202-708-0636 202-632-0150x119 202-395-1482	202-708-41 202-708-27 202-708-33 202-632-03 202-395-13
OPM GROUP A	Retirement Benefit Management Services (ORP)	Sidney Conley. ORP Edward Flynn. ORP Michael Cushing. OPM Douglas Walker. OPM Steve Butterfield. NPR Al Seferian. OMB	202-606-0300 202-606-0600 202-606-0010 202-606-1000 202-632-0150x140 202-395-1041	202-606-1 202-606-2 202-606-2 202-606-2 202-632-0 202-395-5

Department	Candidate Function or Agency	Conversion Team Members	Phone Number	FAX Number
State GROUP B	Passport Services (OCS)	Mary Ryan. Passport Elizabeth Soyster. Con.Aff. Mary Procter. State State/Leg. Jeff Morales. NPR Bruce Sasser. OMB	202-647-9576 202-647-0254 202-647-0196 202 202-632-0150x130 202-395-4580	202-647-0341 202-647-6074 202-647-2524 202 202-632-0398 202-395-565
Transportation GROUP A	St. Lawrence Seaway Corporation	David Sander. Seaway Marylou Batt. DOT Steve Palmer. DOT/Leg Mary Mazingo. NPR David Tornquist. OMB Sharon Barkeloo. OMB	202-366-0091 202-366-0070 202-366-4573 202-632-0150x116 202-395-3257 202-395-3308	202-366-7147 202-366-9634 202-366-7344 202-632-0398 202-395-479 202-395-479
Treasury GROUP B	U.S. Mint	Jay Weinstein. Mint John Murphy. TRE Robert Bean. TRE/Leg Mary Mazingo. NPR Tina Evans-Mitchell. OMB	202-874-6200 202-622-2228 202-622-1950 202-632-0150x116 202-395-1087	202-874-6424 202-622-2274 202-622-0534 202-632-0398 202-395-6824

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

03-Sep-1996 10:50am

TO: Dorothy Robyn

FROM: John A. Koskinen
 Office of Mgmt and Budget

CC: Elaine C. Kamarck

SUBJECT: RE: PTO Bill

I vote to leave the compormise language as is. John is correct in his statement that we're trying to get people hired as CEOs of the PBOs (love those acronyms) for full terms, rather than have them be viewed as purely political appointees. The language proposed is the same as that used for Inspectors General, so there is precedent for its use. Beyond the merits of the language, we have enough other issues that matter that we shouldn't clutter up the discussion at this time with this discussion.

Somewhat belatedly, let me also respond to your inquiry about whether OMB should be able to "review and approve" or only "review" performance plans for the PTO. The Secretary has the unreviewed authority to hire the CEO, develop a "framework" agreement with him and pay the bonus earned under the performance agreement. We have had questions raised by the Hill about the concern that the Secretary will hire a friend and pay a bonus for showing up on time. Therefore, we have isolated the performance agreement, and its ties to the bonus, as the only place necessary for third party review to provide some assurance that the system works as proposed. The difference in "review and approve" and "review" may be semantics in light of the normal relationship between OMB and the agencies, but OMB's role in many areas is to oversee statutory requirements.

I'm buying the pizza if we ever get this PBO established.

**EXECUTIVE OFFICE OF THE PRESIDENT
Office of Management and Budget
Office of the Deputy Director for Management
Rm. 260 Old Executive Office Bldg.
Washington, DC 20503**

FAX COVER SHEET

Date: September 3, 1996

TO: Elena Kagan

No. of pages (including cover sheet): 4

Fax No.: 61647

Phone No.:

FROM: John A. Koskinen

Fax No.: 395-5730

Phone No.: 395-6190

REMARKS:

Here's the list of possible PBOs. The "B" list won't show up publicly until after January, but they'll help give you a feel for the range of organizations being considered. As we discussed, we intercepted the PTO in midstream, since Congressman Morehead had already introduced legislation creating a government corporation when we showed up.

If you want to gather a group, it should include the VP's office (Elaine, John Kamensky and Mary Mozingo) as well as yours truly.

Thanks.



E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

03-Sep-1996 10:19am

TO: John A. Koskinen
TO: Elaine C. Kamarck

FROM: Dorothy Robyn
 National Economic Council

SUBJECT: PTO Bill

One of the remaining issues on H.R. 3460 (Moorhead/Schroeder Patent Reform bill) has to do with congressional notification if the President wants to dismiss the Commissioner of PTO. H.R. 3460 originally said the Pres. could not remove the Comm. prior to the expiration of his/her 5-year term except "for cause." Justice argued that such a restriction raised constitutional concerns, and the Judiciary Committee compromised: the current provision requires only that the Pres. notify both Houses of the reason for removal.

Justice and WH Counsel's office want to press to remove even that requirement. It's not unconstitutional, in their view, but as a "functional invasion" of the President's prerogatives, it violates "constitutional policy."

In the course of arguing over whether that objection should be raised again in an Admin. letter of support on HR 3460, John Kamensky expressed a quite different view -- namely, that the Administration wants the PTO Commissioner to be treated in a relatively non-political way, and therefore a requirement that the President notify Congress of the reasons for removal is actually desirable. Can you give us some guidance on this?

cc: Elena Kagan, WH Counsel
 John Kamensky, NPR

new
Most run by
a Career - m/mt

Need global agreement -

Distinction?

Patent different?

*only one now run by govt app'tee
And this has more policy in it
than most.*

Neil Kinkopf Telecon 8/28/96

Can do cost-based policy concerns.

Will fax it to us.

granting insulat-
often under apt,
not for, good
govt goals.

1. NB - There sorts of insulations do not lead to sort of non-participation; instead to congressional capture
2. Also - entities will less likely accept centralized direction even when its process-oriented + consistent w/ (demanded by) good govt goals.

conf call

456-6755

6688

James Castello

1. In list of things that are paying for -
some changes in

Commerce letter

2. PTO bill - commerce (lead of)

PTO to become gov corp.

Views - the new commissioner removable by court -
no good.

They've taken out

Now - communication of reasons for removal
Kinloch - ident. to long in current law - FBI
not correct.

Do we want to weigh in? - on policy grounds.

Q - do we want to raise non-cust
objective?

Conf call - apt. at 3:00 - B commerce / NEC

Kinloch -

Arg. that could be raised - no auth.

We haven't thought it's ⁱⁿ correct

"Unives Pres role abil
to perform cust role."

Memo in draft from -

Mint
St Lawrence
Laway Corp.

& Koshinen wants to impose such limits on
a variety of offices.

They wanted for cause protection

We will say: probably means (B w/lt + specific
offices)

Could: a reg of reasons - || FBI Director
IGs

[Pres may remove IGs at will - but reporting
req.
FBI Director.]

Any way to distinguish? Sturges case for FBI - has a
lot of power + power w/in case of Pres's const
& power - crim prosecutions.

[paternity - only mentioned
as to by power]

Any nonconst objection?

phrased in terms of const principle
distinct v/d of const law \neq v/d of principles embedded
in const law.

"const policy" - Tho we've avoided
using this term.

[acceptability
effective admin

are extremely accepting of limits on removal
Same for const provisions - Tho in diff v/ds.



U. S. Department of Justice

Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

June 10, 1996

Honorable Henry J. Hyde
Chairman
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Department of Justice strongly opposes enactment of H.R. 3460, the "Patent and Trademark Office Government Corporation Act of 1996," as approved by the Subcommittee on Courts and Intellectual Property. Our most serious objections concern provisions that would: vest independent litigation authority in the new corporation; raise significant constitutional issues; and raise serious questions about the impact of the bill on cases under the Federal Tort Claims Act. The Administration supports efforts to structure the Patent and Trademark office as a new organization but believes that the new organization should remain within the Department of Commerce, as the Department of Commerce has proposed. We would welcome an opportunity to work with you on appropriate amendments.

We have summarized our concerns briefly in this letter. An attachment explains them in greater detail.

-- Independent Litigation Authority

Section 112 of the bill (amending 35 U.S.C. § 2(b)(3)) grants the Patent and Trademark Office (PTO) independent litigating authority by providing that the PTO "may sue and be sued in its corporate name and be represented by its own attorneys in all judicial and administrative proceedings" (emphasis supplied). Section 118 of the bill (new 35 U.S.C. § 8) then sets forth procedures under which litigation by and against the Corporation is to be handled (e.g., by permitting the Corporation to "exercise, without prior authorization from the Attorney General, the authorities and duties that would otherwise be exercised by the Attorney General").

These provisions detract from the centralization of

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litigating authority in the Attorney General. See, e.g., 28 U.S.C. §§ 516, 519, 547. Centralized litigating authority furthers a number of important and longstanding policy goals. Foremost among these is that the Government speak with one voice in court. This permits the Government to present a uniform position on important legal questions. Moreover, the existence of one central authority assures that one individual, the Attorney General, will be in a position to consider the potential impact of litigation upon the Government as a whole. Not only does this prevent one agency from espousing a position in court detrimental to the Government as a whole, but it facilitates presidential supervision over Executive Branch policies implicated in litigation. For these reasons, and for the additional reasons set forth in the attachment, it is imperative that these provisions be deleted from the bill.

-- Constitutional Concerns

We believe that significant constitutional questions are posed by provisions of H.R. 3460 that would: (1) restrict the President's authority to remove the Commissioner of the PTO (§ 113 (enacting 35 U.S.C. § 3(a)(6))); and (2) provide that the person serving as Commissioner on the bill's effective date may serve as Commissioner of the new PTO until a new Commissioner is appointed (§ 113 (enacting 35 U.S.C. § 3(h)(5))).

As we explain in the attachment, we believe that the bill's attempt to impose restrictions on the President's removal power is unwarranted and should be deleted. With respect to the service of the previous PTO Commissioner, we suggest alternatives to avoid any constitutional problems.

-- Federal Tort Claims Act Concerns

Enactment of H.R. 3460 would disrupt the orderly defense of tort suits brought against the United States and could interfere with Executive Branch control over payments from the Judgment Fund. If this bill were enacted, the United States would continue to be liable (as it is under current law) for tort claims brought against employees or officers of the PTO in their official capacity. As we have already noted, we strongly object to the bill's provisions that would permit PTO attorneys to represent the agency independently of the Attorney General in such proceedings. But apart from this question of litigation authority, we have two other concerns related to the defense of suits brought under the Federal Tort Claims Act: (1) successful claims under the FTCA should not be paid out of the Judgment Fund, and (2) regardless of what source of federal money is used to pay such claims, the Attorney General should have authority to review and approve any payment on an FTCA claim.

With respect to the first point, if the PTO is to be

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independent and self-sufficient, the language of the bill should make it absolutely clear that all judgments and settlements arising from the actions of its employees or officers are to be paid from its own funds, not the Judgment Fund. In particular, if the PTO is to be an independent corporation with an independent source of income, it should be responsible for its own judgments or settlements (including tort claims) in the same manner as the Postal Service is responsible for paying for judgments and settlements of tort claims brought against it. See, 39 U.S.C. § 409(e). We are concerned that the language in proposed 35 U.S.C. § 2(b)(17) may be inadequate to ensure that the Judgment Fund is not liable for claims against the corporation. Accordingly, this language should be amended as recommended in the attachment.

Second, to preserve consistency in the size of settlements or judgments that are paid for various types of tort claims, the Attorney General must have the authority to review and approve such settlements and judgments. This is especially imperative to the extent that the bill can be read to permit the payment of such claims out of the Judgment Fund. Under current law (28 U.S.C. § 2414), the Attorney General reviews and approves all payments (including tort claims against the United States) from the Judgment Fund (a permanent, indefinite appropriation established pursuant to 31 U.S.C. § 1304(a)). This provides a vital "check" on abuses that could interfere with the Fund's important and unique statutory purpose. It also helps to ensure that settlements of comparable cases are both comparable and limited. Even if H.R. 3460 were read not to authorize payments from the Judgment Fund and instead required such payments to be funded by the PTO, we remain seriously concerned about any proposal that would vest authority in an agency to compromise or settle tort or other cases independently of the Attorney General. In our view, the institutional "check" on payments from the Judgment Fund currently provided by this Department is essential and should be maintained, even if claims are paid from the PTO's own funds and not the Judgment Fund.

* * * * *

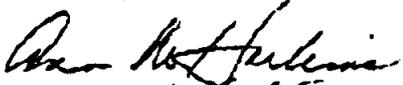
The Administration's proposal does not suffer from the deficiencies outlined above (or the other deficiencies detailed in the attachment to this letter). We strongly recommend, therefore, that the Committee adopt the Administration's proposal to address these issues in lieu of the language in H.R. 3460.

Thank you for the opportunity to provide our views. If we can be of further assistance, please do not hesitate to contact the Department. The Office of Management and Budget has advised

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that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Sincerely,


Andrew Fois
Assistant Attorney General

Attachment

cc: Honorable John Conyers
Ranking Minority Member

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ATTACHMENT -- DETAILED CONCERNS ABOUT H.R. 3460Independent Litigation Authority

Section 112 of the bill (amending 35 U.S.C. § 2(b)(3)) grants the Patent and Trademark Office (PTO) independent litigating authority by providing that the PTO "may sue and be sued in its corporate name and be represented by its own attorneys in all judicial and administrative proceedings" (emphasis supplied). Section 118 of the bill (new 35 U.S.C. § 8) then sets forth procedures under which litigation by and against the Corporation is to be handled (e.g., by permitting the Corporation to "exercise, without prior authorization from the Attorney General, the authorities and duties that would otherwise be exercised by the Attorney General" in certain cases).¹

Another provision states that the Attorney General retains authority to represent the PTO before the Supreme Court. See proposed 35 U.S.C. § 8(b)(4). Another provision appears to allow the Attorney General to take over PTO litigation, stating: "[T]he Attorney General may . . . file an appearance on behalf of the Office or the officer or employee involved, without the consent of the Office or the officer or employee. Upon such filing, the Attorney General shall represent the Office or such officer or employee with exclusive authority in the conduct, settlement, or compromise of that action or proceeding." See proposed 35 U.S.C. § 8(b)(2). The bill does not require the PTO to notify the Attorney General of pending litigation, however, nor does it provide a mechanism through which the Attorney General will become aware of PTO cases for purposes of invoking this provision.

This legislation needlessly detracts from the centralization of litigating authority in the Attorney General. See, e.g., 28 U.S.C. §§ 516, 519, 547. Centralized litigating authority furthers a number of important and longstanding policy goals. Foremost among these is that the Government speak with one voice in court. This permits the Government to present a uniform position on important legal questions. Moreover, the existence of one central authority assures that one individual, the

¹In a letter to the Chairman of the Subcommittee on Courts and Intellectual Property dated October 31, 1995 on H.R. 1659, an earlier version of this legislation, we strongly objected to the grant of independent litigation authority included in that bill. We note that, as currently drafted, the scope of independent litigation authority that would be conferred upon the PTO by H.R. 3460 is even broader and therefore more objectionable than the counterpart provisions included in H.R. 1659.

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Attorney General, will consider the potential impact of litigation upon the Government as a whole. Not only does this prevent one agency from espousing a position in court detrimental to the Government as a whole, but it facilitates presidential supervision over Executive Branch policies implicated in litigation. In addition, centralization of litigating authority within the Department of Justice permits the development of a cadre of Government attorneys trained and experienced in the specialized skills of advocacy.

The Supreme Court also has recognized the importance of these policy concerns. An individual agency "necessarily has a more parochial view of the interest of the Government in litigation" than does the Attorney General. FEC v. NRA Political Victory Fund, 115 S. Ct. 537, 542 (1994). The primary concerns of an agency are, of course, furtherance of its regulatory policies and implementation of specific statutory functions. The Attorney General, by contrast, must take into account broader interests to represent all Executive Branch agencies as well as the people of the United States. Thus, the Court has recognized that the Government not only should "speak with one voice," but that it should speak "with a voice that reflects not the parochial interests of a particular agency, but the common interests of the Government and therefore of all the people." United States v. Providence Journal Co., 485 U.S. 693, 706 (1988).

In many cases, an agency's specific interests can be accommodated without compromising the interests of the United States as a whole. In some cases, however, the Attorney General must resolve an issue in favor of broader federal interests rather than a particular agency's parochial interest. In such cases, the Department of Justice plays an important role in protecting the United States against insular litigation decisions. Without centralized litigating authority, the Department of Justice may not even be aware of litigating positions taken by many agencies, let alone have the opportunity to check an agency's unrestrained assertion of its narrow interests.

We do not believe that the minimal limits on the PTO's litigating authority contained in the proposed bill are sufficient to alleviate the problems discussed above. In addition to patent and trademark cases, proposed 35 U.S.C. § 8(b)(1) gives PTO authority over an apparently wide range of topics, including all cases involving an employee acting within the scope of employment, tort matters, as well as matters involving property. Unlike H.R. 1659, an earlier version of this bill, the Attorney General apparently would not retain any authority over the defense of cases brought under statutes with broad government-wide applicability (such as the Freedom of Information Act and the Privacy Act). Moreover, the bill does

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little to ensure that the Attorney General will retain authority over government-wide legal issues raised in the vast majority of PTO cases.

Cases involving the Patent and Trademark Office often raise broad legal issues that are of significance not just to the Patent and Trademark Office, but to all agencies within the Executive Branch. See, e.g., Bull v. Comer, 55 F.3d 678 (D.C. Cir. 1995) (equitable tolling of statute of limitations); Checkers Drive-In Restaurants, Inc. v. Commissioner of Patents & Trademarks, 51 F.3d 1078 (D.C. Cir. 1995) (bankruptcy automatic stay). Tort lawsuits, for instance, will involve a host of legal issues that apply to other Government agencies -- particularly since the bill incorporates the exceptions to the Federal Tort Claims Act, which are litigated in cases involving every Government agency. See proposed 35 U.S.C. § 8(a)(3).

More importantly, in many cases it is impossible to determine at the outset of the litigation whether the case will involve a legal issue of Government-wide importance. Attorney General supervision is necessary to ensure that litigating positions throughout the executive branch are consistent, and to ensure that the Government's position is determined by considering the overall interests of the United States rather than the specific interest of one agency.

The provision allowing the Attorney General to take over a case without the consent of PTO (proposed 35 U.S.C. § 8(b)(2)) is not sufficient to protect the Attorney General's important role in ensuring consistency in the Government's litigation policy. That section does not provide for notice to the Department of Justice of pending cases involving PTO, nor does it require PTO to inform the Department of Justice of the particular arguments it intends to raise in particular cases. While this provision may allow the Attorney General to intervene in some cases, it does not provide the Attorney General with sufficient ability to supervise ongoing litigation to ensure that particular arguments are consistent with overall Government policy.

We recognize that many PTO cases involve complicated patent and trademark issues that require expertise. We do not believe, however, that this subject matter justifies abrogation of the Attorney General's centralized litigation authority. The Department of Justice litigates many cases that involve complicated and detailed statutory schemes, including patent and trademark cases. Department attorneys can coordinate their work with agency counsel in complicated matters, and the Department also can delegate cases to PTO attorneys where appropriate. In addition, the bill goes far beyond providing independent authority for complicated patent and trademark cases. Instead, it extends that authority to routine tort, contract, and other cases.

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In the face of longstanding policy and court precedents favoring centralized litigating authority, those wishing to confer independent litigating authority upon an agency should set forth strong reasons for curtailing the Attorney General's role in this regard. We do not believe that there are sufficiently compelling reasons in this case to abandon the well-established concept of centralized litigating authority. The deletion of these provisions from this bill is imperative.

Constitutional Concerns

We believe that significant constitutional questions are posed by the sections of H.R. 3460 that (1) would restrict the President's authority to remove the Commissioner of the PTO, and (2) provide that the person serving as Commissioner on the bill's effective date may serve as Commissioner of the new PTO until a new Commissioner is appointed. We note that these questions are not presented by the alternative legislation that the Commerce Department has proposed.

I. Removal Restriction

H.R. 3460 provides that the Commissioner would be appointed by the President, by and with the advice and consent of the Senate, for a five-year term. The President could not remove the Commissioner from office prior to the expiration of that term, except "for cause." See proposed 35 U.S.C. § 3(a)(6). The Supreme Court has held that "for cause" restrictions on the President's authority to remove officers are unconstitutional if they "impede the President's ability to perform his constitutional duty" to ensure that the laws are faithfully executed. Morrison v. Olson, 487 U.S. 654, 691 (1988). Under that standard, the removal restriction in H.R. 3460 would raise significant constitutional concerns if it were held to preclude the President from dismissing the Commissioner for failure to carry out the President's policies.²

In that event, the restriction would stand on less secure constitutional footing than the limitation in the Ethics in Government Act (EGA) on the President's power to remove independent counsels, which was upheld by the Supreme Court in Morrison. In concluding that the EGA removal restriction did not unduly hamper the President's ability to perform his duties, the Court in Morrison observed that the independent counsel is an inferior officer, subject to the supervision of an officer other

² Some contend that policy disagreements between the President and an officer do not constitute "cause" for removal within the meaning of statutes that impose restrictions on the President's removal authority.

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than the President, *i.e.*, the Attorney General. The Court also stressed that the responsibilities, jurisdiction, and tenure of an independent counsel are confined to the discrete, particularized matter that forms the subject of her inquiry. Furthermore independent counsels lack policymaking and substantial administrative authority. *Id.* at 691. By contrast, under H.R. 3460, the Commissioner of the PTO would be a principal officer with the power to appoint inferior officers, and would not be subject to the supervision of any officer other than the President. Moreover, the Commissioner would enjoy a lengthy tenure of five years, and during that time, would have wide-ranging jurisdiction to exercise substantial authority over all patent and trademark matters.

To be sure, the Commissioner would perform "quasi-judicial" and "quasi-legislative" functions that are analogous to the duties carried out by the boards that govern "independent" regulatory agencies, the members of which typically may not be removed by the President except "for cause." See Humphrey's Executor v. United States, 295 U.S. 602, 628 (1935) (upholding "for cause" restriction on the President's power to remove members of the Federal Trade Commission, because the agency performs quasi-judicial and quasi-legislative functions that Congress intended to be conducted "free from executive control").³ However, those agencies invariably are headed by multi-member boards, and the members' terms are staggered. Thus, a President will be able to choose at least some of the members, and through his appointments, have some say in policymaking at the agency. But under H.R. 3460, the Commissioner, as sole decisionmaker at the PTO for five years, might hold office during the entire term of a President who had not appointed him. In those circumstances, the removal restriction in H.R. 3460 would work to strip the President of meaningful policymaking input at the PTO. It therefore poses a more severe limitation on the President's authority than the removal restrictions in the statutes that establish the traditional "independent" agencies.⁴

³ In Morrison, the Supreme Court said that while the validity of a "for cause" restriction on the President's removal authority does not turn entirely on the classification of an officer's functions as quasi-legislative or quasi-judicial, as opposed to purely executive, the nature of the officer's functions remains a relevant factor in the constitutional analysis. See Morrison, 487 U.S. at 689-91.

⁴ We raised the same type of objection last year with respect to the Social Security Independence and Program Improvements Act, Pub. L. No. 103-296, which took the Social Security Administration out of the Department of Health and Human Services, and established it as a separate agency headed by a single Commissioner who serves a six-year term, and who may only be removed for "neglect of duty

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Whether or not the removal restriction in H.R. 3460 would be held unconstitutional by a court, it would be an unwarranted intrusion on the President's power. We therefore object to the restriction, and urge that it be eliminated from the legislation.

II. Service of Previous PTO Commissioner

H.R. 3460 states that the person serving as PTO Commissioner "on the day before the effective date of the [legislation] may serve as the Commissioner until the date on which a Commissioner is appointed under [the legislation]." See proposed 35 U.S.C. § 3(h)(4). This provision raises concerns under the Appointments Clause of Article II of the Constitution, which requires that principal officers must be appointed by the President, by and with the advice and consent of the Senate. U.S. Const. Art. II, § 2, cl. 2. See Morrison, 487 U.S. at 670. At present, the Commissioner of the PTO, as that office is constituted within the Commerce Department, is appointed in that manner. See 35 U.S.C. § 3. It is well-established that a principal officer who has been appointed to an office in conformity with the Appointments Clause may be assigned by Congress to perform additional functions that are germane to those that he already performs "without rendering it necessary that [he] should be again nominated and appointed." Shoemaker v. United States, 147 U.S. 282, 301 (1893). See also Weiss v. United States, 114 S. Ct. 752, 759 (1994) (reaffirming Shoemaker). However, that rule does not apply where Congress substantially transforms the nature of an existing office and designates a particular individual to head what is essentially a new office.⁵

or malfeasance in office" (which is a variation of a "for cause" removal restriction). See President's Statement on Signing the Social Security Independence and Program Improvements Act of 1994, 30 Weekly Comp. Pres. Doc. 1676 (Aug. 22, 1994) ("I must note that, in the opinion of the Justice Department, the provision that the President can remove the single Commissioner only for neglect of duty or malfeasance in office raises a significant constitutional question.").

⁵ For example, in Olympic Federal Savings & Loan v. Director, OTS, 732 F. Supp. 1183 (D.D.C. 1990), the court considered an Appointments Clause challenge to the provisions in the 1989 thrift ball-out law that abolished the three-member Federal Home Loan Bank Board (FHLBB), and established in its place the Office of Thrift Supervision (OTS), headed by a single Director. The person serving as Chairman of the FHLBB on the effective date of the law was designated by Congress to serve as the initial Director of the OTS. The court held that these provisions violated the Appointments Clause, because they (i) conferred new duties on a particular officer, rather than on an office, and (ii) transformed the nature

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We believe that under H.R. 3460, as currently configured, the office of PTO Commissioner will be transformed so that it will become a new office.⁶ Thus, upon the effective date of H.R. 3460, Congress may not provide that the previous PTO Commissioner serve as Commissioner of the new PTO. This provision should be eliminated. One alternative would be to make the effective date of the new PTO the date that the new Commissioner is confirmed by the Senate, and hence is constitutionally authorized to assume office.

There is another alternative. To avoid an unconstitutional result, language could be added allowing the President to designate an interim Commissioner of the President's own choosing, including the incumbent.

Federal Tort Claims Act Concerns

Enactment of this legislation, as currently drafted, would disrupt the orderly defense of tort suits brought against the United States and would interfere with Executive Branch control over payments from the Judgment Fund.

As drafted, the bill does violence to the orderly handling of Federal Tort Claims Act cases for the following reasons. First, it provides that "with respect to any action in which the Office is a party or an officer or employee thereof is a party in his or her official capacity, the Office, officer, or employee may exercise, without prior authorization from the Attorney General, the authorities and duties that otherwise would be exercised by the Attorney General on behalf of the Office, officer, or employee under title 28 or other laws." See proposed 35 U.S.C. § 8(b)(1). Second, it would also give the PTO the authority to determine that its employees were acting within the

of the FHLBB by making its head a single director, in place of a three-person board. Id. at 1192-93.

⁶ Among the factors that lead us to that conclusion are: (1) the Commissioner would be a principal officer in charge of a free-standing entity, not simply an inferior officer heading a component within an agency; (2) the Commissioner would have the power to appoint inferior officers of the PTO; (3) the Commissioner would serve for a longer term than at present, and could only be removed for cause; and (4) the responsibilities of the PTO, as set forth in § 112 of H.R. 3460 (amending 35 U.S.C. § 2), are far more expansive than the office's existing charter. See 35 U.S.C. § 6. We understand, however, that the Administration is suggesting amendments that could significantly change these provisions. We will continue to review these provisions as the bill makes its way through the Congressional process.

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scope of their employment and substitute itself as a defendant in their stead. See proposed 35 U.S.C. § 8(a)(5).

These provisions would disrupt the orderly processing of tort claims against the PTO and other federal agencies. The proposed grant to the PTO of the Attorney General's authority in such cases would mean that this one entity would have unlimited authority to settle tort cases, thereby destroying the Attorney General's ability to ensure that settlements of comparable cases are comparable and limited. A grant of such unbridled settlement authority is totally unwarranted.

This unprecedented grant of authority to the PTO to make scope of employment determinations could have unintended consequences in criminal matters. The Attorney General's prosecutive judgment must not be preempted or compromised by a scope of employment certification originating in the Corporation respecting the same challenged conduct. If the scope of employment determination by the Corporation were deemed to be conclusive, then the Attorney General's prosecutorial authority would be seriously compromised. Where there are parallel civil and criminal consequences the Attorney General must be free to argue that the employee acted outside the scope of his or her employment in order that the Government's position in the civil case is consistent with a decision to prosecute. The criminal justice process must proceed with the Attorney General's discretion unfettered by pressures originating in unaccountable governmental entities.

Section 116 of H.R. 3460 would (as noted previously) include a provision that would permit the proposed new agency's personnel to exercise the authority heretofore within the exclusive domain of the Attorney General. If the new entity is to have its liability measured under the FTCA as a federal agency, such litigation should be handled by the Attorney General.

The language in proposed § 35 U.S.C. § 2(b)(17) may not be adequate to ensure that the Judgment Fund is not liable for claims against the proposed corporation. This subsection should be amended to state: "shall pay any settlement or judgement entered against it or arising from the act or omission of any officer or employee of the Patent and Trademark Office from the funds of the Office and not from amounts available under section 1304 of title 31" (new language underlined). If this change is not made the bill could endanger the Judgment Fund established in 31 U.S.C. § 1304, because it would not be absolutely clear that the Judgment Fund could not be tapped.

Unless the bill is amended as suggested above, the courts might well conclude that the federal government is liable under the Federal Tort Claims Act for any torts of the Office's employees or its officers, with payment of any judgments

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apparently to come from the Judgment Fund. The Attorney General's review and approval of payments from the Fund are intended to provide a vital check on abuses that would interfere with the Fund's important and unique statutory purpose. See 28 U.S.C. § 2414. The legislation would eliminate this barrier to unqualified payments. Under the current statutory structure, 28 U.S.C. § 2414 authorizes the Attorney General to certify for payment compromise settlements and judgments rendered against the United States. Where certain other conditions are met, such payment may be made from the Judgment Fund established pursuant to 31 U.S.C. § 1304. Under current law for instance, tort compromises in settlements involving the Patent and Trademark Office are payable from the Judgment Fund, not from fees collected pursuant to provisions of the laws administered by that office. This is so because the Judgment Fund is intended primarily to pay judgments and settlements against the United States.

If the Corporation is to be independent and self-sufficient, all judgments and settlements arising from the actions of its employees or officers should be paid from its own funds.

In sum, the bill as currently drafted provides for weaker, rather than greater, accountability on the part of the PTO, and no institutional check such as the Justice Department now provides as guardian of the Judgment Fund. In these circumstances, permitting the Office to tap the Judgment Fund as a result of its own actions or to fund claims in litigation in which the Office would have represented itself, would be extremely imprudent.