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Last Updated: 02/19/2025

WHITE HOUSE STAFFING MEMORANDUM

DATE: 11/2/84

ACTION/CONCURRENCE/COMMENT DUE BY: 11/5 - 12:00 NOON

SUBJECT: H.R. 6163 and H.R. 6286 - SIGNING STATEMENT

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
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STOCKMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	VERSTANDIG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FULLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CLERKS OFFICE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HERRINGTON	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HICKEY	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
McMANUS	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

OPD recommends that two separate signing statements be issued for H.R. 6163 and H.R. 6286

May we have your recommendation re OPD's suggestion. If you agree, please edit the attached statements. (A copy of the Department of Commerce's statement, which was previously staffed to you is attached for your information.)

NOTE: The Bill Report for H.R. 6163 is expected to be circulated later today.

RESPONSE:

Richard G. Darman
Assistant to the President
Ext. 2702

THE WHITE HOUSE

WASHINGTON

November 1, 1984

MEMORANDUM FOR RICHARD G. DARMAN

FROM: ROGER B. PORTER *RBP*

SUBJECT: H.R. 6286 - Patent Law Amendments Act of 1984

The Office of Policy Development recommends approval of H.R. 6286, the "Patent Law Amendments Act of 1984."

We recommend that the attached signing statement submitted by the Department of Commerce be revised substantially. Combining a discussion of both H.R. 6286 and H.R. 6163, the "Federal District Court Organization Act of 1984," dilutes the attention that can be given to the semiconductor chip design protection provision in H.R. 6163. Both Commerce and Justice (the lead agencies for these two bills) agree that from both substantive and political perspectives, chip protection is by far the most important provision in either bill.

We recommend that the President issue two separate signing statements for H.R. 6286 and H.R. 6163. We have prepared a draft statement for H.R. 6286, which we reviewed with the Patent and Trademark Office at Commerce. It basically takes the language in the Commerce draft that is relevant to H.R. 6286, but deletes discussion of H.R. 6163.

We have also prepared the attached draft statement for H.R. 6163, which we reviewed with the Patent and Trademark Office. The draft focuses attention on the semiconductor provision that is commensurate with its importance. OMB and the lead agencies are expected to recommend approval of H.R. 6163.

Attachments

SUGGESTED SIGNING STATEMENT

I have this day approved H.R. 6163, the "Federal District Court Organization Act of 1984," and H.R. 6286, the "Patent Law Amendments Act of 1984."

These bills are concerned with promoting America's technological advancement and its ability to compete in a global market. They recognize my Administration's continuing commitment to protecting intellectual property as a means of spurring the creative genius of the American people. The creation of new jobs, new investment opportunities, new products, and indeed of new industries, all depend largely on the extent to which we preserve the right of people who come up with bold new ideas or who are willing to take the risks of commercializing them to reap their just rewards. We must not become a nation that cares more about rewarding those who copy rather than those who create. These bills convince me that we have not.

H.R. 6163 does this in three ways. First, it creates a new form of intellectual property protection for semiconductor chip products. These chips have fueled what has been rightly called the microcomputer revolution. Yet they are easily copied and an investment of millions of dollars to design a new chip can be jeopardized by an outlay of mere thousands to copy it. Second, it reaffirms certain basic principles of trademark law which all American businesses have traditionally relied upon to protect the marks that have enabled them to distinguish their goods and services from those of others. Finally, it extends the principle of contractor ownership of Federally-funded inventions to those made in Government-owned, contractor-operated laboratories. I am firmly committed to this principle for the private sector is far more able than the Federal government to commercialize these inventions.

H.R. 6286 effects a number of improvements in the patent system to ensure that its incentives will continue to stimulate American inventive genius. It provides inventors with a new, efficient mechanism to protect their right to use their inventions without the need to expend scarce resources to obtain a patent. This procedure offers great cost savings potential to Federal agencies, which are the single largest filers of U.S. patents. It also closes a loophole in existing law which permitted copiers to export jobs and avoid liability by arranging for final assembly of patented machines to occur off-shore. The bill eliminates unwarranted technicalities in the patent law which threaten the validity of patents for inventions arising from corporate research teams. These provisions, together with other provisions which enable the Patent and Trademark Office to streamline its operations, make our patent system more responsive to the needs of our inventors and industry. America must remain at the cutting edge of technology and a strong and effective patent system is fundamental to this goal.

I am pleased to approve this legislation.

STATEMENT BY THE PRESIDENT

I am pleased to sign today H.R. 6163, the "Federal District Court Organization Act of 1984." This legislation accomplishes a number of key reforms that significantly improve the environment for technological innovation. By strengthening the rights of people who are willing to risk commercializing new ideas to reap their just rewards, this legislation encourages individuals to create and develop new technologies.

The most important provision in this legislation is the creation of a new form of intellectual property protection for semiconductor chip products. It is easy to copy chip designs. Innovators can invest tens of millions of dollars to create and market these semiconductors, while others can copy these designs at a tiny fraction of the cost. By creating penalties against copying, this legislation significantly enhances the incentives for firms to invest in new designs. Furthermore, the legislation includes a provision encouraging other countries to provide comparable protection for U.S. semiconductors sold abroad.

The stakes in this area are tremendous. Not only does the semiconductor industry annually ship about \$14 billion of semiconductors, it also employs about 200,000 people. Perhaps most important, increasingly more powerful and cheaper

semiconductors are at the heart of a wide range of technologies that have increased American productivity, competitiveness, and our standard of living.

The legislation also reaffirms certain basic principles of trademark law upon which all American businesses have traditionally relied to protect the marks enabling them to distinguish their products from those of others. Moreover, it extends the principle of contractor ownership of Federally-funded inventions to those made in government-owned, contractor-operated laboratories, which takes advantage of the private sector's ability to commercialize these inventions more effectively than the government.

The Congress passed this legislation with strong bipartisan support. My Administration strongly supported these provisions that strengthen intellectual property rights. This legislation takes a major step in spurring the creative genius of America's entrepreneurs.

RECEIVED 02 NOV 84 13

TO

MCFARLANE

FROM DARMAN, R

DOCDATE 02 NOV 84

KEYWORDS: INTL TRADE

ENROLLED BILLS

DARMAN REFERRAL

SUBJECT: HR-6163 & HR-6286 RE SIGNING STATEMENT

URGENT

ACTION: PREPARE MEMO KIMMITT TO DARMAN DUE: 05 NOV 84 STATUS S FILES WH

FOR ACTION

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FOR INFO

MCMINN

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WHITE HOUSE STAFFING MEMORANDUM URGENT

DATE: 11/2/84 ACTION/CONCURRENCE/COMMENT DUE BY: 11/5 - c.o.b.

SUBJECT: ENROLLED BILL H.R. 6163 - MISCELLANEOUS PATENT, TRADEMARK, JUDICIAL
AND OTHER AMENDMENTS

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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HERRINGTON	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HICKEY	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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McMANUS	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

May we have your comments by close of business Monday. Thank you.

RESPONSE:

NSC has no objection to Enrolled Bill H.R. 6163--Miscellaneous Patent, Trademark, Judicial and Other Amendments.

Robert M. Kimmitt
Robert M. Kimmitt
Executive Secretary

Richard G. Darman
Assistant to the President
Ext. 2702



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

NOV 2 1984

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 6163 - Miscellaneous Patent,
Trademark, Judicial and Other Amendments
Sponsors - Kastenmeier (D) Wisconsin and 5 others

Last Day for Action

November 9, 1984 - Friday

Purpose

To make various statutory amendments with respect to: trademark clarification; Federal assistance to the States for judicial administration; copyright protection for semiconductor chips; improvement of Federal courts administration; and patent policy, as it relates to Federal research and development activities.

Agency Recommendations

Office of Management and Budget	Approval
Department of Commerce	Approval
Department of Justice	Approval
Administrative Office of the United States Courts	Approval
Office of Science and Technology Policy	Approval
National Science Foundation	Approval
Office of Personnel Management	No objection
Department of State	No objection
United States Trade Representative	No objection
Department of the Treasury	No objection
United States Postal Service	No objection
Department of Labor	No objection
Department of Agriculture	No objection
Department of Energy	No objection
General Services Administration	No objection
Small Business Administration	No comment
Department of Education	No comment

Discussion

-- Introduction

As enrolled, H.R. 6163 is comprised of unrelated statutory amendments in a number of areas, including trademarks, State and local judicial administration, semiconductor chip protection,

organization and operation of Federal courts, and patent policy as it relates to research and development activities of the Federal Government. This memorandum summarizes each of the bill's five titles separately.

-- Description of the Enrolled Bill

Title I - Trademark Clarification Act of 1984

Under current law, a trademark may be cancelled, among other reasons, if the registered mark becomes the common descriptive name of an article or substance. In the past, courts have generally interpreted this requirement to mean that as long as the public recognizes a trademark as a specific brand name, and not as a "generic" description of a class of products, the trademark is entitled to continued protection under the trademark statutes.

A U.S. Circuit Court of Appeals recently departed from accepted trademark law and held, in a case involving the Parker Brothers' game, "Monopoly," that "Monopoly," a registered trademark, had become generic, because purchasers were motivated to buy the game not as a result of a desire to have a Parker Brothers product but, rather, out of a simple desire to play the game of Monopoly. As the Department of Commerce advises in its views letter, this decision threatens to undermine the validity of countless trademarks.

The enrolled bill would statutorily overrule the court's decision in the Monopoly case and would specifically prohibit the use of a motivational test in deciding whether a trademark has become generic. Instead, the bill clarifies that the standard to be used will continue to be based solely on the public's perception of whether the trademark identifies a particular product or service. The Administration supported this proposal as an important clarification of intellectual property law.

Title II - State Justice Institute Act of 1984

Title II would establish a private, non-profit corporation, the "State Justice Institute," to make grants and undertake other activities designed to improve the administration of justice in the United States. In particular, the Institute would (1) direct a program of assistance to assure ready access to a "fair and effective system of justice," (2) encourage cooperation between the State and Federal judiciaries, (3) encourage continuing education for State judges and support personnel, and (4) promote recognition of the principle of separation of powers as essential to an independent Judiciary. Key provisions of Title II are summarized below.

- o Board of directors. The board of directors -- the Institute's governing body -- would be comprised of eleven members, all of whom would be appointed by the President. Six members of the board would have to be State court judges, one would have to be a State court administrator, while the remaining four would have to be "members from the public sector." Any appointments of State judges and State court administrators would have to be made from a list submitted to the President by the Conference of Chief Justices. The President would be free to reject in its entirety any such list that is presented to him, however. Members of the board are to serve three-year terms. The President is required to appoint the board members within 90 days of this Title's effective date, October 1, 1985.
- o Status of the Institute. The Institute would not be considered an agency of the Federal Government for most purposes; however, employees of the Institute would be considered Federal employees with respect to workmen's compensation, civil service retirement, life insurance, and health insurance. Although the language of the enrolled bill is ambiguous, the Institute would apparently submit its annual budget directly to the Congress. The Office of Management and Budget, however, would be permitted to review and comment on the proposed budget at the time it is transmitted to the Congress.
- o Grants and contracts. The Institute would be authorized to make grants and enter into contracts for a number of purposes (e.g., to conduct research or demonstration projects related to improvement of the administration of justice or to encourage State and local governments in the development of criminal, civil, and juvenile justice programs and services). Any grant that the Institute awards must be matched by the recipient in an amount equal to at least fifty percent of the grant.

In addition, the Institute would:

- o Not be permitted to influence the consideration of legislation at either the Federal or State levels;
- o Be permitted to require grant recipients to make appropriate reports concerning their activities;
- o Have to have its accounts audited on an annual basis; and
- o Be authorized appropriations of \$13 million, \$15 million, and \$15 million for fiscal years 1986, 1987, and 1988, respectively.

Finally, the enrolled bill would require the Attorney General to report to the Congress on October 1, 1987, regarding the effectiveness of the Institute in carrying out its responsibilities.

As the Department of Justice notes, in its enrolled bill views letter, the Administration has opposed the creation of a State Justice Institute. Although our opposition was based largely on budgetary concerns, we also objected to authorizing appropriations for an entity that would not be considered part of the Federal Government and that would, as a consequence, not be under the effective control of any of the Government's three branches. The Administration also said that the State Justice Institute is intended to address questions that are more appropriately the responsibilities of the States.

In my view, the State Justice Institute is unnecessary and objectionable for the reasons previously stated. However, the bill as enrolled is less troublesome than previous versions on which the Administration has commented. Some of these improvements, which are summarized in the views letter of the Justice Department, include increasing the "match" required of State and local governments seeking grant money from 25 percent to 50 percent and decreasing the appropriations that would be authorized for the first three years of the Institute's operations from a total of \$70 million to \$43 million. In view of these changes, and recognizing that the enrolled bill contains other provisions of overriding importance, I do not believe that this Title warrants disapproval of H.R. 6163.

Title III - Semiconductor Chip Protection Act of 1984

Under current law, the extent to which the design (referred to as "mask works" in the enrolled bill) of semiconductor chips is protected under copyright law is not altogether clear. Semiconductor chips, which play critical roles in computer operations, are only marginally similar to works that are covered by the copyright laws (e.g., books and musical compositions). As a consequence, semiconductor chip designs do not currently enjoy copyright protection, and the number of firms that "pirate" semiconductor chip designs is increasing. Chip designers are also becoming reluctant to invest in further research and development.

Title III of the enrolled bill, which the Administration supported, would provide a new form of intellectual property protection that deals exclusively with semiconductor chip designs and gives their manufacturers ten years of protection against unauthorized reproduction. Other key provisions of the bill would:

- o Allow the owner of a chip to register a claim for protection with the Registrar of Copyrights and direct the Registrar to issue a certificate of registration if the chip otherwise qualifies;

- o Permit judicial review of a refusal to register a chip;
- o Bar protection for certain chips that are not original or that consist of designs that are familiar in the semiconductor industry;
- o Protect innocent purchasers of pirated chips from liability, but require such purchasers to pay royalties to the owners;
- o Permit the owner of a chip to file a civil action for infringement;
- o Authorize a Federal court to award as damages in an infringement case either actual damages plus the infringer's profits attributable to the infringement or a flat damage award not to exceed \$250,000;
- o Require the Secretary of the Treasury and the U.S. Postal Service to issue regulations governing the exclusion of products from the United States that may infringe on a semiconductor chip design;
- o Authorize the President to extend to foreign nations the protection afforded by this Title, if these nations provide like protection for U.S. semiconductor chip products; and
- o Authorize the Secretary of Commerce to extend to foreign nations the protection afforded by this Title, if the nations are making good faith efforts to protect U.S. semiconductor chip products. This authority would expire three years after the date of the bill's enactment.

Finally, this Title requires the Secretary of Commerce to report to Congress, within two years of the bill's enactment, on the current status of international efforts to afford protection for semiconductor chip designs.

According to the Department of Commerce, the importance of semiconductor chips to American industry and the magnitude of the pirating problem combine to make this the most important title of the enrolled bill.

Title IV - Federal Courts Improvements

Title IV changes the Federal judicial system in three areas, each of which is summarized below. The Department of Justice advises in its views letter on H.R. 6163 that it either supports, or does not object to, each of the amendments contained in this title.

- o Civil Case Priorities. There are currently about eighty situations in which a Federal court is required by statute to give a particular kind of civil case a priority over other civil cases pending on the court's docket. These requirements reflect Congressional determinations that specific kinds of

cases require speedier resolutions than others. The enrolled bill would generally delete the specific "priority" requirements applicable to civil proceedings and replace them with a general rule for expediting particular cases for "good cause." "Good cause" would be deemed to exist when a claimant can demonstrate that, based on the facts of the case, a right under the Constitution or a Federal statute would be maintained through prompt judicial action. In addition, all habeas corpus and civil contempt commitment proceedings, as well as an action for temporary or preliminary injunctive relief, would continue to qualify for expedited consideration.

- o Court Sites. Title IV would change the boundaries of the divisions within a number of Federal judicial districts and the locations at which Federal district court judges are authorized to hold court. These changes are intended to increase both the accessibility and efficiency of the Federal court system, while reducing the increasingly heavy caseloads of certain divisions.
- o Federal Circuit Technical Amendments. The enrolled bill also contains a number of technical amendments to a law enacted in 1982 that created the U.S. Court of Appeals for the Federal Circuit. These amendments would facilitate the handling of appeals in patent cases.

Title V - Government Research and Development Patent Policy

Under current law, the "Patent Law Amendments Act of 1980" (popularly known as the "Bayh-Dole Act"), small businesses and nonprofit organizations are permitted to retain title to patents on inventions that they produce with Federal research and development funding. A February 1983 Executive Order, reflecting the Administration's policy of contractor ownership of inventions developed by contractors, called upon contracting agencies to apply the principles of the Bayh-Dole Act to all contractors, not merely small businesses and non-profit organizations. A myriad of differing requirements with respect to patent ownership has precluded establishment of a uniform patent policy by administrative action, however.

Although the enrolled bill does not go as far as initially proposed by administrative action, it would extend the principle of contractor ownership of inventions beyond small businesses and non-profit organizations to include federally-funded research at Government owned, contractor-operated facilities, except for certain Department of Energy (DOE) facilities. The exempt DOE facilities would be those concerned with naval nuclear propulsion and nuclear weapons production programs.

In addition, the bill would:

- o Authorize Federal agencies to limit patent ownership by small businesses or non-profit organizations that are not located or do not have a place of business in the United States;
- o Impose a limit on the percent of royalties a contract operator of a government-owned laboratory may retain after paying patent administrative expenses and a share of the royalties to the inventor;
- o Codify invention-reporting and ownership-election procedures, established administratively by OMB, that were to expire February 1, 1985;
- o Consolidate the authority to promulgate regulations under the Bayh-Dole Act, currently split between the Office of Federal Procurement Policy and the General Services Administration, in the Department of Commerce; and
- o Authorize the Office of Federal Procurement Policy, notwithstanding the general consolidation of regulatory authority in Commerce, to issue regulations to proscribe Federal agency activities contrary to the requirements of the Bayh-Dole Act.

In its enrolled bill views letter, the Department of Commerce characterizes Title V as "of substantial importance because the improvements it makes to the Bayh-Dole Act will encourage the transfer of Federally-funded technology to the private sector where it can be effectively commercialized, thus leading to new opportunities for business investment and new jobs."

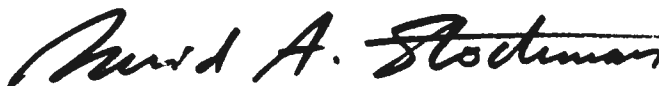
-- Recommendation

Although the Administration did not support establishment of a State Justice Institute as contemplated by Title II of this enrolled bill, I do not believe that its establishment merits disapproval of the bill. The changes that H.R. 6163 would make with respect to trademarks, the operations of Federal courts, research and development patent policy, and, especially, copyright protection for semiconductor chips, are salutary and welcome. In addition, the Congress has made some changes (e.g., lower authorized appropriations) in this legislation to obtain the Administration's acceptance of the Institute.

The Department of Commerce has prepared a signing statement -- attached to its views letter -- for your consideration, which emphasizes the intellectual property (patent) protection provisions of the enrolled bill and the contribution they will make in "promoting America's technological advancement and its ability to compete in a global market."

* * * * *

H.R. 6163 passed both Houses by voice vote.

A handwritten signature in black ink, reading "David A. Stockman". The signature is fluid and cursive, with a horizontal line extending from the end of the name.

David A. Stockman
Director

Enclosures

MEMORANDUM

NATIONAL SECURITY COUNCIL

November 5, 1984

ACTION

MEMORANDUM FOR ROBERT M. KIMMITT

FROM: DOUGLAS W. McMINN SUBJECT: Enrolled Bill H.R. 6163--Miscellaneous Patent,
Trademark, Judicial and Other Amendments

Richard Darman's office has requested NSC comment, by COB today, on Enrolled Bill H.R. 6163. This bill is comprised of unrelated statutory amendments in a number of areas, including trademarks, State and local judicial administration, semiconductor chip protection, organization and operation of Federal courts, and patent policy as it relates to research and development activities of the Federal Government.

All relevant agencies either approve, have no comment, or offer no objection to H.R. 6163.

RECOMMENDATION

That you sign the memorandum to Richard Darman at Tab I, indicating no objection to Enrolled Bill H.R. 6163

Approve 

Disapprove _____

Messrs. Fortier, Robinson and Wigg concur.  *(not available)*

Attachments

TAB I Memo to Richard Darman

TAB A Memo to the President from OMB

11/5/84

Paul -
I called in to Dorman's
office.

carp

National Security Council
The White House

System # I

Package # 8213

84 NOV 5 P 4: 54

	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	<u>1</u>	<u>(initials)</u>	
Bob Kimmitt			
John Poindexter			
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt			
NSC Secretariat	<u>2</u>		<u>(initials)</u>
Situation Room			

I = Information A = Action R = Retain D = Dispatch N = No further Action

cc: VP Meese Baker Deaver Other _____

COMMENTS

Should be seen by: _____
(Date/Time)

NSC/S PROFILE

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RECEIVED 02 NOV 84 19

TO

MCFARLANE

FROM DARMAN, R

DOCDATE 02 NOV 84

URGENT

KEYWORDS: INTL TRADE

IMPORT CONTROLS

ENROLLED BILLS

DARMAN REFERRAL

SUBJECT: ENROLLED BILL HR-6163 RE PATENT TRADEMARK JUDICIAL & OTHER AMENDMENTS

ACTION: MEMO KIMMITT TO DARMAN

DUE: 05 NOV 84 STATUS S FILES WH

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THE WHITE HOUSE

WASHINGTON

November 5, 1984

MEMORANDUM FOR RICHARD G. DARMAN

FROM: ROGER B. PORTER *RBP*

SUBJECT: H.R. 6163 - Miscellaneous Patent, Trademark, Judicial and
Other Amendments

The Office of Policy Development recommends approval of H.R. 6163.

THE WHITE HOUSE

257193

WASHINGTON

November 5, 1984

MEMORANDUM FOR ROGER PORTER

FROM: JUDY JOHNSTON

SUBJECT: H.R. 6163 - Miscellaneous Patent, Trademark, Judicial
and Other Amendments

H.R. 6163 makes various statutory amendments with respect to: trademark clarification; Federal assistance to the States for judicial administration; copyright protection for semiconductor chips; improvement of Federal courts administration; and patent policy, as it relates to Federal research and development activities.

Lehmann Li and Michael Driggs recommend approval.

Recommendation: That you sign the attached memorandum to Dick Darman recommending approval.

OFFICE OF POLICY DEVELOPMENT

MEMORANDUM

DATE: 11/5/84 ACTION/CONCURRENCE/COMMENT DUE BY: 11/5/ cob
 SUBJECT: ENROLLED BILL H.R. 6163 - MISCELLANEOUS PATENT, TRADEMARK, JUDICIAL
AND OTHER AMENDMENTS

	ACTION	FYI		ACTION	FYI
SVAHN	<input type="checkbox"/>	<input type="checkbox"/>	WALTERS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PORTER	<input type="checkbox"/>	<input type="checkbox"/>	ADMINISTRATION/	<input checked="" type="checkbox"/>	<input type="checkbox"/>
ANDERSON	<input type="checkbox"/>	<input type="checkbox"/>	JOHNSTON		
BLED SOE	<input type="checkbox"/>	<input type="checkbox"/>	DRUG POLICY	<input type="checkbox"/>	<input type="checkbox"/>
BRADLEY	<input type="checkbox"/>	<input type="checkbox"/>	TURNER	<input type="checkbox"/>	<input type="checkbox"/>
DAVIS	<input type="checkbox"/>	<input type="checkbox"/>	OFFICE OF POLICY INFORMATION		<input type="checkbox"/>
DRIGGS	<input type="checkbox"/>	<input type="checkbox"/>			
GALEBACH	<input type="checkbox"/>	<input type="checkbox"/>	PROPERTY REVIEW BOARD	<input type="checkbox"/>	<input type="checkbox"/>
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McALLISTER	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
McCAFFREY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
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SIMMONS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
SMITH	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
SWEET	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

RESPONSE TO:

LEHMANN LI, MICHAEL DRIGGS, AND STEVE GALEBACH FOR ACTION
 May I pls have your approval asap judy j

☐ John A. Svahn
 Assistant to the President
 for Policy Development
 (x6515)

no objection
made 11-7

☐ Roger B. Porter
 Director
 Office of Policy Development
 (x6515)

WHITE HOUSE STAFFING MEMORANDUMDATE: 11/2/84 ACTION/CONCURRENCE/COMMENT DUE BY: 11/5 - c.o.b.SUBJECT: ENROLLED BILL H.R. 6163 - MISCELLANEOUS PATENT, TRADEMARK, JUDICIAL
AND OTHER AMENDMENTS

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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DARMAN	<input type="checkbox"/> P	<input checked="" type="checkbox"/> SS	VERSTANDIG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
McMANUS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

May we have your comments by close of business Monday. Thank you.

RESPONSE:

Richard G. Darman
 Assistant to the President
 Ext. 2702



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

NOV 2 1984

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 6163 - Miscellaneous Patent,
Trademark, Judicial and Other Amendments
Sponsors - Kastenmeier (D) Wisconsin and 5 others

Last Day for Action

November 9, 1984 - Friday

Purpose

To make various statutory amendments with respect to: trademark clarification; Federal assistance to the States for judicial administration; copyright protection for semiconductor chips; improvement of Federal courts administration; and patent policy, as it relates to Federal research and development activities.

Agency Recommendations

Office of Management and Budget	Approval
Department of Commerce	Approval
Department of Justice	Approval
Administrative Office of the United States Courts	Approval
Office of Science and Technology Policy	Approval
National Science Foundation	Approval
Office of Personnel Management	No objection
Department of State	No objection
United States Trade Representative	No objection (Internally)
Department of the Treasury	No objection (Internally)
United States Postal Service	No objection (Internally)
Department of Labor	No objection (Internally)
Department of Agriculture	No objection
Department of Energy	No objection
General Services Administration	No objection (Internally)
Small Business Administration	No comment (Internally)
Department of Education	No comment (Internally)

Discussion

-- Introduction

As enrolled, H.R. 6163 is comprised of unrelated statutory amendments in a number of areas, including trademarks, State and local judicial administration, semiconductor chip protection,

organization and operation of Federal courts, and patent policy as it relates to research and development activities of the Federal Government. This memorandum summarizes each of the bill's five titles separately.

-- Description of the Enrolled Bill

Title I - Trademark Clarification Act of 1984

Under current law, a trademark may be cancelled, among other reasons, if the registered mark becomes the common descriptive name of an article or substance. In the past, courts have generally interpreted this requirement to mean that as long as the public recognizes a trademark as a specific brand name, and not as a "generic" description of a class of products, the trademark is entitled to continued protection under the trademark statutes.

A U.S. Circuit Court of Appeals recently departed from accepted trademark law and held, in a case involving the Parker Brothers' game, "Monopoly," that "Monopoly," a registered trademark, had become generic, because purchasers were motivated to buy the game not as a result of a desire to have a Parker Brothers product but, rather, out of a simple desire to play the game of Monopoly. As the Department of Commerce advises in its views letter, this decision threatens to undermine the validity of countless trademarks.

The enrolled bill would statutorily overrule the court's decision in the Monopoly case and would specifically prohibit the use of a motivational test in deciding whether a trademark has become generic. Instead, the bill clarifies that the standard to be used will continue to be based solely on the public's perception of whether the trademark identifies a particular product or service. The Administration supported this proposal as an important clarification of intellectual property law.

Title II - State Justice Institute Act of 1984

Title II would establish a private, non-profit corporation, the "State Justice Institute," to make grants and undertake other activities designed to improve the administration of justice in the United States. In particular, the Institute would (1) direct a program of assistance to assure ready access to a "fair and effective system of justice," (2) encourage cooperation between the State and Federal judiciaries, (3) encourage continuing education for State judges and support personnel, and (4) promote recognition of the principle of separation of powers as essential to an independent Judiciary. Key provisions of Title II are summarized below.

- o Board of directors. The board of directors -- the Institute's governing body -- would be comprised of eleven members, all of whom would be appointed by the President. Six members of the board would have to be State court judges, one would have to be a State court administrator, while the remaining four would have to be "members from the public sector." Any appointments of State judges and State court administrators would have to be made from a list submitted to the President by the Conference of Chief Justices. The President would be free to reject in its entirety any such list that is presented to him, however. Members of the board are to serve three-year terms. The President is required to appoint the board members within 90 days of this Title's effective date, October 1, 1985.
- o Status of the Institute. The Institute would not be considered an agency of the Federal Government for most purposes; however, employees of the Institute would be considered Federal employees with respect to workmen's compensation, civil service retirement, life insurance, and health insurance. Although the language of the enrolled bill is ambiguous, the Institute would apparently submit its annual budget directly to the Congress. The Office of Management and Budget, however, would be permitted to review and comment on the proposed budget at the time it is transmitted to the Congress.
- o Grants and contracts. The Institute would be authorized to make grants and enter into contracts for a number of purposes (e.g., to conduct research or demonstration projects related to improvement of the administration of justice or to encourage State and local governments in the development of criminal, civil, and juvenile justice programs and services). Any grant that the Institute awards must be matched by the recipient in an amount equal to at least fifty percent of the grant.

In addition, the Institute would:

- o Not be permitted to influence the consideration of legislation at either the Federal or State levels;
- o Be permitted to require grant recipients to make appropriate reports concerning their activities;
- o Have to have its accounts audited on an annual basis; and
- o Be authorized appropriations of \$13 million, \$15 million, and \$15 million for fiscal years 1986, 1987, and 1988, respectively.

Finally, the enrolled bill would require the Attorney General to report to the Congress on October 1, 1987, regarding the effectiveness of the Institute in carrying out its responsibilities.

As the Department of Justice notes, in its enrolled bill views letter, the Administration has opposed the creation of a State Justice Institute. Although our opposition was based largely on budgetary concerns, we also objected to authorizing appropriations for an entity that would not be considered part of the Federal Government and that would, as a consequence, not be under the effective control of any of the Government's three branches. The Administration also said that the State Justice Institute is intended to address questions that are more appropriately the responsibilities of the States.

In my view, the State Justice Institute is unnecessary and objectionable for the reasons previously stated. However, the bill as enrolled is less troublesome than previous versions on which the Administration has commented. Some of these improvements, which are summarized in the views letter of the Justice Department, include increasing the "match" required of State and local governments seeking grant money from 25 percent to 50 percent and decreasing the appropriations that would be authorized for the first three years of the Institute's operations from a total of \$70 million to \$43 million. In view of these changes, and recognizing that the enrolled bill contains other provisions of overriding importance, I do not believe that this Title warrants disapproval of H.R. 6163.

Title III - Semiconductor Chip Protection Act of 1984

Under current law, the extent to which the design (referred to as "mask works" in the enrolled bill) of semiconductor chips is protected under copyright law is not altogether clear. Semiconductor chips, which play critical roles in computer operations, are only marginally similar to works that are covered by the copyright laws (e.g., books and musical compositions). As a consequence, semiconductor chip designs do not currently enjoy copyright protection, and the number of firms that "pirate" semiconductor chip designs is increasing. Chip designers are also becoming reluctant to invest in further research and development.

Title III of the enrolled bill, which the Administration supported, would provide a new form of intellectual property protection that deals exclusively with semiconductor chip designs and gives their manufacturers ten years of protection against unauthorized reproduction. Other key provisions of the bill would:

- o Allow the owner of a chip to register a claim for protection with the Registrar of Copyrights and direct the Registrar to issue a certificate of registration if the chip otherwise qualifies;

- o Permit judicial review of a refusal to register a chip;
- o Bar protection for certain chips that are not original or that consist of designs that are familiar in the semiconductor industry;
- o Protect innocent purchasers of pirated chips from liability, but require such purchasers to pay royalties to the owners;
- o Permit the owner of a chip to file a civil action for infringement;
- o Authorize a Federal court to award as damages in an infringement case either actual damages plus the infringer's profits attributable to the infringement or a flat damage award not to exceed \$250,000;
- o Require the Secretary of the Treasury and the U.S. Postal Service to issue regulations governing the exclusion of products from the United States that may infringe on a semiconductor chip design;
- o Authorize the President to extend to foreign nations the protection afforded by this Title, if these nations provide like protection for U.S. semiconductor chip products; and
- o Authorize the Secretary of Commerce to extend to foreign nations the protection afforded by this Title, if the nations are making good faith efforts to protect U.S. semiconductor chip products. This authority would expire three years after the date of the bill's enactment.

Finally, this Title requires the Secretary of Commerce to report to Congress, within two years of the bill's enactment, on the current status of international efforts to afford protection for semiconductor chip designs.

According to the Department of Commerce, the importance of semiconductor chips to American industry and the magnitude of the pirating problem combine to make this the most important title of the enrolled bill.

Title IV - Federal Courts Improvements

Title IV changes the Federal judicial system in three areas, each of which is summarized below. The Department of Justice advises in its views letter on H.R. 6163 that it either supports, or does not object to, each of the amendments contained in this title.

- o Civil Case Priorities. There are currently about eighty situations in which a Federal court is required by statute to give a particular kind of civil case a priority over other civil cases pending on the court's docket. These requirements reflect Congressional determinations that specific kinds of

cases require speedier resolutions than others. The enrolled bill would generally delete the specific "priority" requirements applicable to civil proceedings and replace them with a general rule for expediting particular cases for "good cause." "Good cause" would be deemed to exist when a claimant can demonstrate that, based on the facts of the case, a right under the Constitution or a Federal statute would be maintained through prompt judicial action. In addition, all habeas corpus and civil contempt commitment proceedings, as well as an action for temporary or preliminary injunctive relief, would continue to qualify for expedited consideration.

- o Court Sites. Title IV would change the boundaries of the divisions within a number of Federal judicial districts and the locations at which Federal district court judges are authorized to hold court. These changes are intended to increase both the accessibility and efficiency of the Federal court system, while reducing the increasingly heavy caseloads of certain divisions.
- o Federal Circuit Technical Amendments. The enrolled bill also contains a number of technical amendments to a law enacted in 1982 that created the U.S. Court of Appeals for the Federal Circuit. These amendments would facilitate the handling of appeals in patent cases.

Title V - Government Research and Development Patent Policy

Under current law, the "Patent Law Amendments Act of 1980" (popularly known as the "Bayh-Dole Act"), small businesses and nonprofit organizations are permitted to retain title to patents on inventions that they produce with Federal research and development funding. A February 1983 Executive Order, reflecting the Administration's policy of contractor ownership of inventions developed by contractors, called upon contracting agencies to apply the principles of the Bayh-Dole Act to all contractors, not merely small businesses and non-profit organizations. A myriad of differing requirements with respect to patent ownership has precluded establishment of a uniform patent policy by administrative action, however.

Although the enrolled bill does not go as far as initially proposed by administrative action, it would extend the principle of contractor ownership of inventions beyond small businesses and non-profit organizations to include federally-funded research at Government owned, contractor-operated facilities, except for certain Department of Energy (DOE) facilities. The exempt DOE facilities would be those concerned with naval nuclear propulsion and nuclear weapons production programs.

In addition, the bill would:

- o Authorize Federal agencies to limit patent ownership by small businesses or non-profit organizations that are not located or do not have a place of business in the United States;
- o Impose a limit on the percent of royalties a contract operator of a government-owned laboratory may retain after paying patent administrative expenses and a share of the royalties to the inventor;
- o Codify invention-reporting and ownership-election procedures, established administratively by OMB, that were to expire February 1, 1985;
- o Consolidate the authority to promulgate regulations under the Bayh-Dole Act, currently split between the Office of Federal Procurement Policy and the General Services Administration, in the Department of Commerce; and
- o Authorize the Office of Federal Procurement Policy, notwithstanding the general consolidation of regulatory authority in Commerce, to issue regulations to proscribe Federal agency activities contrary to the requirements of the Bayh-Dole Act.

In its enrolled bill views letter, the Department of Commerce characterizes Title V as "of substantial importance because the improvements it makes to the Bayh-Dole Act will encourage the transfer of Federally-funded technology to the private sector where it can be effectively commercialized, thus leading to new opportunities for business investment and new jobs."

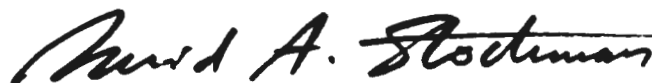
-- Recommendation

Although the Administration did not support establishment of a State Justice Institute as contemplated by Title II of this enrolled bill, I do not believe that its establishment merits disapproval of the bill. The changes that H.R. 6163 would make with respect to trademarks, the operations of Federal courts, research and development patent policy, and, especially, copyright protection for semiconductor chips, are salutary and welcome. In addition, the Congress has made some changes (e.g., lower authorized appropriations) in this legislation to obtain the Administration's acceptance of the Institute.

The Department of Commerce has prepared a signing statement -- attached to its views letter -- for your consideration, which emphasizes the intellectual property (patent) protection provisions of the enrolled bill and the contribution they will make in "promoting America's technological advancement and its ability to compete in a global market."

* * * * *

H.R. 6163 passed both Houses by voice vote.

A handwritten signature in cursive script, reading "David A. Stockman". The signature is written in dark ink and is positioned above the printed name and title.

David A. Stockman
Director

Enclosures

WHITE HOUSE STAFFING MEMORANDUM

DATE: 11/2/84ACTION/CONCURRENCE/COMMENT DUE BY: 11/5 - 12:00 NOONSUBJECT: H.R. 6163 and H.R. 6286 - SIGNING STATEMENT

ACTION FYI			ACTION FYI		
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
STOCKMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	VERSTANDIG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	WHITTLESEY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FULLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CLERKS OFFICE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HERRINGTON	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
HICKEY	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
McMANUS	<input type="checkbox"/>	<input checked="" type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

OPD recommends that two separate signing statements be issued for H.R. 6163 and H.R. 6286

May we have your recommendation re OPD's suggestion. If you agree, please edit the attached statements. (A copy of the Department of Commerce's statement, which was previously staffed to you is attached for your information.)

NOTE: The Bill Report for H.R. 6163 is expected to be circulated later today.

RESPONSE:

ph 12/1/84
agree w/ OPD, two separate drafts
no c on drafts

Richard G. Darman
 Assistant to the President
 Ext. 2702

THE WHITE HOUSE
WASHINGTON

INTERGOVERNMENTAL AFFAIRS
STAFFING MEMORANDUM RESPONSE

November 5, 1984

MEMORANDUM FOR RICHARD G. DARMAN

FROM: LEE L. VERSTANDIG *lee*
ASSISTANT TO THE PRESIDENT
FOR INTERGOVERNMENTAL AFFAIRS

SUBJECT: H.R.6163 and H.R.6286 Signing Statement

I have reviewed the subject statements and agree with OPD that two separate signing statements be issued. Also, I have no comments/edits on the drafts.

Thank you.

STATEMENT BY THE PRESIDENT

I am pleased to sign today H.R. 6163, the "Federal District Court Organization Act of 1984." This legislation accomplishes a number of key reforms that significantly improve the environment for technological innovation. By strengthening the rights of people who are willing to risk commercializing new ideas to reap their just rewards, this legislation encourages individuals to create and develop new technologies.

The most important provision in this legislation is the creation of a new form of intellectual property protection for semiconductor chip products. It is easy to copy chip designs. Innovators can invest tens of millions of dollars to create and market these semiconductors, while others can copy these designs at a tiny fraction of the cost. By creating penalties against copying, this legislation significantly enhances the incentives for firms to invest in new designs. Furthermore, the legislation includes a provision encouraging other countries to provide comparable protection for U.S. semiconductors sold abroad.

The stakes in this area are tremendous. Not only does the semiconductor industry annually ship about \$14 billion of semiconductors, it also employs about 200,000 people. Perhaps most important, increasingly more powerful and cheaper

semiconductors are at the heart of a wide range of technologies that have increased American productivity, competitiveness, and our standard of living.

The legislation also reaffirms certain basic principles of trademark law upon which all American businesses have traditionally relied to protect the marks enabling them to distinguish their products from those of others. Moreover, it extends the principle of contractor ownership of Federally-funded inventions to those made in government-owned, contractor-operated laboratories, which takes advantage of the private sector's ability to commercialize these inventions more effectively than the government.

The Congress passed this legislation with strong bipartisan support. My Administration strongly supported these provisions that strengthen intellectual property rights. This legislation takes a major step in spurring the creative genius of America's entrepreneurs.

SUGGESTED SIGNING STATEMENT

I have this day approved H.R. 6163, the "Federal District Court Organization Act of 1984," and H.R. 6286, the "Patent Law Amendments Act of 1984."

These bills are concerned with promoting America's technological advancement and its ability to compete in a global market. They recognize my Administration's continuing commitment to protecting intellectual property as a means of spurring the creative genius of the American people. The creation of new jobs, new investment opportunities, new products, and indeed of new industries, all depend largely on the extent to which we preserve the right of people who come up with bold new ideas or who are willing to take the risks of commercializing them to reap their just rewards. We must not become a nation that cares more about rewarding those who copy rather than those who create. These bills convince me that we have not.

H.R. 6163 does this in three ways. First, it creates a new form of intellectual property protection for semiconductor chip products. These chips have fueled what has been rightly called the microcomputer revolution. Yet they are easily copied and an investment of millions of dollars to design a new chip can be jeopardized by an outlay of mere thousands to copy it. Second, it reaffirms certain basic principles of trademark law which all American businesses have traditionally relied upon to protect the marks that have enabled them to distinguish their goods and services from those of others. Finally, it extends the principle of contractor ownership of Federally-funded inventions to those made in Government-owned, contractor-operated laboratories. I am firmly committed to this principle for the private sector is far more able than the Federal government to commercialize these inventions.

H.R. 6286 effects a number of improvements in the patent system to ensure that its incentives will continue to stimulate American inventive genius. It provides inventors with a new, efficient mechanism to protect their right to use their inventions without the need to expend scarce resources to obtain a patent. This procedure offers great cost savings potential to Federal agencies, which are the single largest filers of U.S. patents. It also closes a loophole in existing law which permitted copiers to export jobs and avoid liability by arranging for final assembly of patented machines to occur off-shore. The bill eliminates unwarranted technicalities in the patent law which threaten the validity of patents for inventions arising from corporate research teams. These provisions, together with other provisions which enable the Patent and Trademark Office to streamline its operations, make our patent system more responsive to the needs of our inventors and industry. America must remain at the cutting edge of technology and a strong and effective patent system is fundamental to this goal.

I am pleased to approve this legislation.

RECEIVED
INTERGOVERNMENTAL AFFAIRS
1984 NOV -5 AM 9:33

IGA ROUTING SLIP
STAFFING MEMORANDUMS
DATE RECEIVED: 11-5

TITLE: HR 6163 & HR 6286- Signing
Statement

DATE DUE: 11-5
11:30 am

	NAME	COMMENTS	
		NO	YES
<u>10:15</u>	RON ALVARADO	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>11:00 / 11:05</u>	ANDY CARD	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>✓</u>	THERESA ELMORE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>10:00</u>	BOB GLEASON	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>9:53</u>	SUSAN LAUFFER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>9:59</u>	TIM LOCKE	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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THE WHITE HOUSE
WASHINGTON

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INTERGOVERNMENTAL AFFAIRS
STAFFING MEMORANDUM RESPONSE

November 5, 1984

MEMORANDUM FOR RICHARD G. DARMAN

FROM:

LEE L. VERSTANDIG *Lee*
ASSISTANT TO THE PRESIDENT
FOR INTERGOVERNMENTAL AFFAIRS

SUBJECT:

Enrolled Bill H.R.6163 Miscellaneous Patent,
and Judicial and Other Amendments

I have reviewed the subject bill and recommend approval of it.

Thank you.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 11/2/84 ACTION/CONCURRENCE/COMMENT DUE BY: 11/5 - c.o.b.

SUBJECT: ENROLLED BILL H.R. 6163 - MISCELLANEOUS PATENT, TRADEMARK, JUDICIAL
AND OTHER AMENDMENTS

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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DARMAN	<input type="checkbox"/> P	<input checked="" type="checkbox"/> SS	VERSTANDIG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
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McFARLANE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
McMANUS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

May we have your comments by close of business Monday. Thank you.

RESPONSE:

amoral

Richard G. Darman
 Assistant to the President
 Ext. 2702



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

NOV 2 1984

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 6163 - Miscellaneous Patent,
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Sponsors - Kastenmeier (D) Wisconsin and 5 others

Last Day for Action

November 9, 1984 - Friday

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Department of Commerce	Approval
Department of Justice	Approval
Administrative Office of the United States Courts	Approval
Office of Science and Technology Policy	Approval
National Science Foundation	Approval
Office of Personnel Management	No objection
Department of State	No objection
United States Trade Representative	No objection (informally)
Department of the Treasury	No objection (informally)
United States Postal Service	No objection (informally)
Department of Labor	No objection (informally)
Department of Agriculture	No objection
Department of Energy	No objection
General Services Administration	No objection (informally)
Small Business Administration	No comment (informally)
Department of Education	No comment (informally)

Discussion

-- Introduction

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Title II - State Justice Institute Act of 1984

Title II would establish a private, non-profit corporation, the "State Justice Institute," to make grants and undertake other activities designed to improve the administration of justice in the United States. In particular, the Institute would (1) direct a program of assistance to assure ready access to a "fair and effective system of justice," (2) encourage cooperation between the State and Federal judiciaries, (3) encourage continuing education for State judges and support personnel, and (4) promote recognition of the principle of separation of powers as essential to an independent Judiciary. Key provisions of Title II are summarized below.

- o Board of directors. The board of directors -- the Institute's governing body -- would be comprised of eleven members, all of whom would be appointed by the President. Six members of the board would have to be State court judges, one would have to be a State court administrator, while the remaining four would have to be "members from the public sector." Any appointments of State judges and State court administrators would have to be made from a list submitted to the President by the Conference of Chief Justices. The President would be free to reject in its entirety any such list that is presented to him, however. Members of the board are to serve three-year terms. The President is required to appoint the board members within 90 days of this Title's effective date, October 1, 1985.
- o Status of the Institute. The Institute would not be considered an agency of the Federal Government for most purposes; however, employees of the Institute would be considered Federal employees with respect to workmen's compensation, civil service retirement, life insurance, and health insurance. Although the language of the enrolled bill is ambiguous, the Institute would apparently submit its annual budget directly to the Congress. The Office of Management and Budget, however, would be permitted to review and comment on the proposed budget at the time it is transmitted to the Congress.
- o Grants and contracts. The Institute would be authorized to make grants and enter into contracts for a number of purposes (e.g., to conduct research or demonstration projects related to improvement of the administration of justice or to encourage State and local governments in the development of criminal, civil, and juvenile justice programs and services). Any grant that the Institute awards must be matched by the recipient in an amount equal to at least fifty percent of the grant.

In addition, the Institute would:

- o Not be permitted to influence the consideration of legislation at either the Federal or State levels;
- o Be permitted to require grant recipients to make appropriate reports concerning their activities;
- o Have to have its accounts audited on an annual basis; and
- o Be authorized appropriations of \$13 million, \$15 million, and \$15 million for fiscal years 1986, 1987, and 1988, respectively.

Finally, the enrolled bill would require the Attorney General to report to the Congress on October 1, 1987, regarding the effectiveness of the Institute in carrying out its responsibilities.

As the Department of Justice notes, in its enrolled bill views letter, the Administration has opposed the creation of a State Justice Institute. Although our opposition was based largely on budgetary concerns, we also objected to authorizing appropriations for an entity that would not be considered part of the Federal Government and that would, as a consequence, not be under the effective control of any of the Government's three branches. The Administration also said that the State Justice Institute is intended to address questions that are more appropriately the responsibilities of the States.

In my view, the State Justice Institute is unnecessary and objectionable for the reasons previously stated. However, the bill as enrolled is less troublesome than previous versions on which the Administration has commented. Some of these improvements, which are summarized in the views letter of the Justice Department, include increasing the "match" required of State and local governments seeking grant money from 25 percent to 50 percent and decreasing the appropriations that would be authorized for the first three years of the Institute's operations from a total of \$70 million to \$43 million. In view of these changes, and recognizing that the enrolled bill contains other provisions of overriding importance, I do not believe that this Title warrants disapproval of H.R. 6163.

Title III - Semiconductor Chip Protection Act of 1984

Under current law, the extent to which the design (referred to as "mask works" in the enrolled bill) of semiconductor chips is protected under copyright law is not altogether clear. Semiconductor chips, which play critical roles in computer operations, are only marginally similar to works that are covered by the copyright laws (e.g., books and musical compositions). As a consequence, semiconductor chip designs do not currently enjoy copyright protection, and the number of firms that "pirate" semiconductor chip designs is increasing. Chip designers are also becoming reluctant to invest in further research and development.

Title III of the enrolled bill, which the Administration supported, would provide a new form of intellectual property protection that deals exclusively with semiconductor chip designs and gives their manufacturers ten years of protection against unauthorized reproduction. Other key provisions of the bill would:

- o Allow the owner of a chip to register a claim for protection with the Registrar of Copyrights and direct the Registrar to issue a certificate of registration if the chip otherwise qualifies;

- o Permit judicial review of a refusal to register a chip;
- o Bar protection for certain chips that are not original or that consist of designs that are familiar in the semiconductor industry;
- o Protect innocent purchasers of pirated chips from liability, but require such purchasers to pay royalties to the owners;
- o Permit the owner of a chip to file a civil action for infringement;
- o Authorize a Federal court to award as damages in an infringement case either actual damages plus the infringer's profits attributable to the infringement or a flat damage award not to exceed \$250,000;
- o Require the Secretary of the Treasury and the U.S. Postal Service to issue regulations governing the exclusion of products from the United States that may infringe on a semiconductor chip design;
- o Authorize the President to extend to foreign nations the protection afforded by this Title, if these nations provide like protection for U.S. semiconductor chip products; and
- o Authorize the Secretary of Commerce to extend to foreign nations the protection afforded by this Title, if the nations are making good faith efforts to protect U.S. semiconductor chip products. This authority would expire three years after the date of the bill's enactment.

Finally, this Title requires the Secretary of Commerce to report to Congress, within two years of the bill's enactment, on the current status of international efforts to afford protection for semiconductor chip designs.

According to the Department of Commerce, the importance of semiconductor chips to American industry and the magnitude of the pirating problem combine to make this the most important title of the enrolled bill.

Title IV - Federal Courts Improvements

Title IV changes the Federal judicial system in three areas, each of which is summarized below. The Department of Justice advises in its views letter on H.R. 6163 that it either supports, or does not object to, each of the amendments contained in this title.

- o Civil Case Priorities. There are currently about eighty situations in which a Federal court is required by statute to give a particular kind of civil case a priority over other civil cases pending on the court's docket. These requirements reflect Congressional determinations that specific kinds of

cases require speedier resolutions than others. The enrolled bill would generally delete the specific "priority" requirements applicable to civil proceedings and replace them with a general rule for expediting particular cases for "good cause." "Good cause" would be deemed to exist when a claimant can demonstrate that, based on the facts of the case, a right under the Constitution or a Federal statute would be maintained through prompt judicial action. In addition, all habeas corpus and civil contempt commitment proceedings, as well as an action for temporary or preliminary injunctive relief, would continue to qualify for expedited consideration.

- o Court Sites. Title IV would change the boundaries of the divisions within a number of Federal judicial districts and the locations at which Federal district court judges are authorized to hold court. These changes are intended to increase both the accessibility and efficiency of the Federal court system, while reducing the increasingly heavy caseloads of certain divisions.
- o Federal Circuit Technical Amendments. The enrolled bill also contains a number of technical amendments to a law enacted in 1982 that created the U.S. Court of Appeals for the Federal Circuit. These amendments would facilitate the handling of appeals in patent cases.

Title V - Government Research and Development Patent Policy

Under current law, the "Patent Law Amendments Act of 1980" (popularly known as the "Bayh-Dole Act"), small businesses and nonprofit organizations are permitted to retain title to patents on inventions that they produce with Federal research and development funding. A February 1983 Executive Order, reflecting the Administration's policy of contractor ownership of inventions developed by contractors, called upon contracting agencies to apply the principles of the Bayh-Dole Act to all contractors, not merely small businesses and non-profit organizations. A myriad of differing requirements with respect to patent ownership has precluded establishment of a uniform patent policy by administrative action, however.

Although the enrolled bill does not go as far as initially proposed by administrative action, it would extend the principle of contractor ownership of inventions beyond small businesses and non-profit organizations to include federally-funded research at Government owned, contractor-operated facilities, except for certain Department of Energy (DOE) facilities. The exempt DOE facilities would be those concerned with naval nuclear propulsion and nuclear weapons production programs.

In addition, the bill would:

- o Authorize Federal agencies to limit patent ownership by small businesses or non-profit organizations that are not located or do not have a place of business in the United States;
- o Impose a limit on the percent of royalties a contract operator of a government-owned laboratory may retain after paying patent administrative expenses and a share of the royalties to the inventor;
- o Codify invention-reporting and ownership-election procedures, established administratively by OMB, that were to expire February 1, 1985;
- o Consolidate the authority to promulgate regulations under the Bayh-Dole Act, currently split between the Office of Federal Procurement Policy and the General Services Administration, in the Department of Commerce; and
- o Authorize the Office of Federal Procurement Policy, notwithstanding the general consolidation of regulatory authority in Commerce, to issue regulations to proscribe Federal agency activities contrary to the requirements of the Bayh-Dole Act.

In its enrolled bill views letter, the Department of Commerce characterizes Title V as "of substantial importance because the improvements it makes to the Bayh-Dole Act will encourage the transfer of Federally-funded technology to the private sector where it can be effectively commercialized, thus leading to new opportunities for business investment and new jobs."

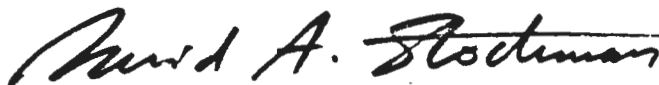
-- Recommendation

Although the Administration did not support establishment of a State Justice Institute as contemplated by Title II of this enrolled bill, I do not believe that its establishment merits disapproval of the bill. The changes that H.R. 6163 would make with respect to trademarks, the operations of Federal courts, research and development patent policy, and, especially, copyright protection for semiconductor chips, are salutary and welcome. In addition, the Congress has made some changes (e.g., lower authorized appropriations) in this legislation to obtain the Administration's acceptance of the Institute.

The Department of Commerce has prepared a signing statement -- attached to its views letter -- for your consideration, which emphasizes the intellectual property (patent) protection provisions of the enrolled bill and the contribution they will make in "promoting America's technological advancement and its ability to compete in a global market."

* * * * *

H.R. 6163 passed both Houses by voice vote.

A handwritten signature in dark ink, reading "David A. Stockman". The signature is fluid and cursive, with a horizontal line extending from the end of the name.

David A. Stockman
Director

Enclosures

RECEIVED
INTERGOVERNMENTAL AFFAIRS
1984 NOV -5 AM 9:33

IGA ROUTING SLIP

STAFFING MEMORANDUMS

DATE RECEIVED: 10-5-84

TITLE: HR 6163 - Misc. patent, trademark, Judicial & Other Amendments DATE DUE: 11-5
3:30 pm

	<u>NAME</u>	<u>COMMENTS</u>
		NO YES
<u>10:16</u>	RON ALVARADO	<input checked="" type="checkbox"/> <input type="checkbox"/>
<u>11:45/11:50</u>	ANDY CARD	<input checked="" type="checkbox"/> <input type="checkbox"/>
<u>✓</u>	THERESA ELMORE	<input checked="" type="checkbox"/> <input type="checkbox"/>
<u>10:00</u>	BOB GLEASON	<input checked="" type="checkbox"/> <input type="checkbox"/>
<u>9:53</u>	SUSAN LAUFFER	<input checked="" type="checkbox"/> <input type="checkbox"/>
<u>9:59</u>	TIM LOCKE	<input checked="" type="checkbox"/> <input type="checkbox"/>

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