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9/30/93	MI	Detroit	Detroit Metropolitan Wayne County	FDC 3/5437	Radar-1 Amdt 22...
9/30/93	MI	Menominee	Menominee-Marquette Twin County	FDC 3/5448	NDB Rwy 3 Amdt 2...
9/30/93	MI	Menominee	Menominee-Marquette Twin County	FDC 3/5449	ILS Rwy 3 Amdt 2...
9/30/93	MI	Menominee	Menominee-Marquette Twin County	FDC 3/5451	VOR-A Amdt 2...
10/01/93 ...	OH	Alliance	Miller	FDC 3/5462	VOR-A Amdt 8A...
10/04/93 ...	SC	Sumter	Sumter Muni	FDC 3/5505	NDB Rwy 22 Amdt 2B...
10/06/93 ...	MI	Menominee	Menominee-Marquette Twin County	FDC 3/5533	RNAV Rwy 21 Amdt 1...

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 8494]

RIN 1545-AP13

Minimum Funding Requirements—Plan Restoration

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains amendments to the final regulations under section 412 of the Internal Revenue Code of 1986. These regulations govern the application of the minimum funding requirements of section 412 to pension plans that are being or have been terminated pursuant to section 4041(c) or 4042 of the Employee Retirement Income Security Act of 1974 (ERISA) and are restored to their sponsoring employers by order of the Pension Benefit Guaranty Corporation (PBGC) pursuant to section 4047 of ERISA. The regulations provide taxpayers with guidance necessary to determine the amount that must be contributed to a restored plan in order to satisfy the minimum funding requirements of section 412.

EFFECTIVE DATE: These regulations are effective on October 22, 1993.

FOR FURTHER INFORMATION CONTACT: Michael Roach at (202) 622-6060 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On October 23, 1990, a notice of proposed rulemaking by cross-reference to temporary regulations was published in the *Federal Register* (55 FR 42728). On the same day, temporary regulations were published in the *Federal Register* (55 FR 42704). These temporary regulations supplement the existing

regulations on the minimum funding requirements under section 412 of the Internal Revenue Code of 1986 (Code). The temporary regulations provide guidance on the proper application of the minimum funding requirements to plans that have been or are being restored to their sponsoring employers by order of the PBGC as authorized under section 4047 of ERISA.

Written comments were received from the public on the proposed regulations incorporated by cross-reference in the notice of proposed rulemaking, and on July 19, 1991, the Internal Revenue Service held a public hearing concerning these proposed regulations. After consideration of all of the written comments received and the statements made at the public hearing, the proposed regulations are adopted as revised by this Treasury decision.

1. Overview

Section 4047 of ERISA authorizes the PBGC to restore a terminated pension plan to its sponsoring employer whenever the PBGC determines that this action is appropriate and consistent with its duties under Title IV of ERISA. The statutory provisions of section 4047 grant broad authority to the PBGC to take any actions necessary to restore terminated plans in situations where it determines the action to be necessary and appropriate. The legislative history further demonstrates specific Congressional intent to confer broad authority on the PBGC to control the details of plan restorations.

This regulation provides rules for applying the minimum funding provisions of section 412 of the Code to a plan that has been terminated and restored under section 4047 of ERISA. The application of the minimum funding standards of section 412 of the Code to a restored pension plan presents unique problems because a restored plan is being or has been terminated and administered as a terminated plan during the time from the date of termination of the plan to the date of the restoration (or its implementation). During the period between the dates of termination and restoration (or its

implementation), Schedule B of Form 5500 will not have been completed by the plan actuary, nor will contributions have been made to the plan. When the PBGC acts to restore the plan, the funding standard account required by section 412 of the Code must be reestablished and maintained for all subsequent plan years.

The restoration of a terminated plan under section 4047 of ERISA retroactively reinstates benefit accruals under the plan because the statute provides for restoration of the plan to its pre-termination status. Because the plan will have been underfunded upon plan termination and because the plan sponsor will ordinarily not have made any contributions to the plan while it was being administered as a terminated plan, the plan is likely to be even more underfunded on restoration. This underfunding will be significantly increased if the plan has been administered as a terminated plan for an extended period of time.

2. Explanation of Provisions

Restoration Funding Method

These regulations create a special funding method, known as the restoration method, which adapts the underlying funding method used by the plan to the special circumstances that exist when the PBGC restores a terminated pension plan to the plan sponsor pursuant to section 4047 of ERISA. The regulations require the use of the restoration method by plans that have been or are being terminated and restored under title IV of ERISA.

The restoration method rules contained in these regulations give the PBGC flexibility in determining the timing and amount of the contributions to be made to fund plan liabilities arising prior to the first valuation date after the restoration of the plan by providing for the funding of a restored plan under a restoration payment schedule order issued by the PBGC that specifies the timing and amount of contributions to amortize plan liabilities arising prior to the first valuation date after restoration. The regulations also contain minimum standards designed to

assure that plan funding does not become worse while the restoration payment schedule order is in effect, and that the employer makes systematic progress toward funding the outstanding liabilities of the plan while it is being funded under a restoration payment schedule order. The final regulations adopt these provisions essentially as proposed with minor clarifications in response to comments.

Certification by the PBGC

The final regulations retain the requirement that when the PBGC issues a restoration payment schedule order, the Executive Director of the PBGC must certify to the PBGC's Board of Directors, and to the Internal Revenue Service, that the PBGC has reviewed the funding of the plan, the financial condition of the plan sponsor and its controlled group members, the payments required under the restoration payment schedule (taking into account the availability of the deferrals permitted under the regulations), and any other factor that the PBGC deems relevant, and, based on that review, determines that it is in the best interests of participants and beneficiaries of the plan and the pension insurance program that the restored plan not be reterminated.

Requirement That Restored Plan Must Use Restoration Method

Under the final regulations, as in the proposed regulations, a plan that is being or has been terminated and restored, must use the restoration method until the initial restoration amortization base has been fully amortized. Use of the restoration method continues to be permitted without securing prior approval from the Commissioner.

Initial Restoration Amortization Base

Section 1.412(c)(1)-3(b) of the regulations describes a special amortization base, known as the initial restoration amortization base, that consists of the unfunded liability of the plan as of the valuation for the plan year in which the initial post restoration valuation date falls, based upon the assets and liabilities restored by the PBGC. The regulation prescribes procedures for the amortization of this base over not more than 30 years in accordance with a restoration payment schedule order issued by the PBGC under § 1.412(c)(1)-3(c).

The outstanding balance of the initial restoration amortization base must be calculated each year in conformity with the usual actuarial practice applicable to other amortization bases established under section 412(b) of the Internal

Revenue Code. In determining the outstanding balance of this base, however, the calculation must be based upon the charges under the restoration payment schedule. Under the regulations, the PBGC may grant a deferral of the payment required under the restoration payment schedule for a particular year, under the conditions and in the manner provided in the regulations.

Charges and Credits to Funding Standard Account

The normal operation of the funding standard account, and the other provisions of section 412 and the regulations thereunder, are unchanged except as provided in this plan restoration regulation § 1.412(c)(1)-3. If the actuarial assumptions and methods used in calculating the assets and liabilities of the plan are changed consistent with the requirements of section 412(c)(3), the plan administrator must notify the PBGC of the changes so that the PBGC can make any appropriate changes to the restoration payment schedule.

Some commentators on the proposed regulations requested clarification of the relationship between the payments in the restoration payment schedule order and the charges and credits to the funding standard account of the plan. Paragraph (d) of the regulation has been corrected to state that each annual payment under the restoration payment schedule shall be charged against the funding standard account of the plan for the plan year to which that payment is attributed in the restoration payment schedule. A sentence has been added to paragraph (d) stating that if the restoration payment schedule requires payments before the end of the plan year, the annual charge to the funding standard account is equal to the sum of the periodic payments for the plan year accumulated with interest at the valuation rate to the last day of the plan year.

Section 412(l) Calculations Under the Restoration Method

When a plan is under the restoration method, the deficit reduction contribution under section 412(l)(2) of the Internal Revenue Code is composed of the unfunded section 412(l) restoration liability amount plus the unfunded new liability amount. The regulation provides rules allowing the PBGC to prescribe the timing and amounts of the annual installments to amortize the unfunded section 412(l) restoration liability over a period of not more than 30 years.

Deferral by PBGC of Scheduled Charges

Paragraph (c)(4) of the regulation authorizes the PBGC to grant a deferral of the charges required under a restoration payment schedule if the PBGC determines that the plan sponsor and its controlled group members are unable to make the scheduled restoration payments without experiencing temporary substantial business hardship. The PBGC may grant no more than five deferrals during the restoration payment period and no more than three of these deferrals may be granted during the first ten years of that period. In response to comments received on the proposed regulation, the final regulation has been clarified to state that the deferrals granted under this authority override the minimum annual charges and the interim amortization requirements otherwise applicable.

Modification of Restoration Payment Schedule Order by PBGC

The PBGC retains the authority to modify the restoration payment schedule at any time during the period of up to 30 years that the schedule is effective. Any modification must, however, comply with the requirements of the regulation, including the minimum payment requirements and the requirement that the 30-year period not be extended. In addition, the PBGC must conduct a funding review of the plan at least once a year, and may conduct a funding review at any time it deems appropriate. As part of the required annual funding review, the Executive Director of the PBGC must certify to the PBGC's Board of Directors, and to the Internal Revenue Service, that the PBGC has reviewed the funding of the plan, the financial condition of the plan sponsor and its controlled group members, the payments required under the restoration payment schedule (taking into account the availability of the deferrals allowed under the regulations), and any other factor that the PBGC deems relevant, and, based on that review, determines that it is in the best interests of participants and beneficiaries of the plan and the pension insurance program that the restored plan not be reterminated.

Effect on Other Laws

Pursuant to the Reorganization Plan No. 4 of 1978, satisfaction of the restoration method requirements set forth in these regulations will be treated as satisfaction of the minimum funding requirements under section 302 of subtitle B of title I of the Employee Retirement Income Security Act of 1974

(ERISA). Failure to make a payment required to avoid a deficiency in the funding standard account under the restoration method may be treated by the Secretary of Labor as a failure to meet the minimum funding standard under ERISA section 302 for purposes of the notice required under ERISA section 101(d).

Effective date

These regulations are effective on October 22, 1993. They continue and make permanent the authority of the PBGC to issue restoration payment schedule orders contained in § 1.412(c)(1)-3T, published as TD 8317, 55 FR 42704 (1990). Under the temporary regulations, the PBGC has been authorized to issue restoration payment schedule orders to the sponsoring employers of restored plans, provided that certain requirements are satisfied. All restoration payment schedule orders issued pursuant to the temporary regulations remain in force under these regulations unless and until modified or withdrawn by the PBGC.

Special Analyses

It has been determined that these rules do not constitute a significant regulatory action as defined in Executive Order 12866. Therefore, a Regulatory Impact Analysis is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) and the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply to these regulations, and, therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking was submitted to the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of these regulations is Michael Roach of the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations), Internal Revenue Service. However, other personnel from the IRS and Treasury Department participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read, in part, as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 1.412(c)(1)-3 is added to read as follows:

§ 1.412(c)(1)-3 Applying the minimum funding requirements to restored plans.

(a) *In general*—(1) *Restoration method.* The restoration method is a funding method that adapts the underlying funding method of section 412 in the case of certain plans that are or have been terminated and are later restored by the Pension Benefit Guaranty Corporation (PBGC). The normal operation of the funding standard account, and all other provisions of section 412 and the regulations thereunder, are unchanged except as provided in this § 1.412(c)(1)-3. Under the restoration method, the PBGC shall determine a restoration payment schedule, extending over no more than 30 years, that replaces all charges and credits to the funding standard account attributable to pre-restoration amortization bases. The restoration payment schedule is determined on the basis of an actuarial valuation of the accrued liability of the plan on the initial post-restoration valuation date less the actuarial value of the plan assets on that date. The initial post-restoration valuation date is the date of the valuation that falls in the first plan year beginning on or after the date of the restoration order.

(2) *Applicability of restoration method.* A plan must use the restoration method if, and only if—

(i) The plan is being or has been terminated pursuant to section 4041(c) or section 4042 of the Employee Retirement Income Security Act of 1974 (ERISA); and

(ii) The plan has been restored by the PBGC pursuant to its authority under section 4047 of ERISA.

(b) *Computation and effect of the initial restoration amortization base*—

(1) *In general.* The initial restoration amortization base is determined under the underlying funding method used by the plan. When the plan uses a spread gain funding method that does not maintain an unfunded liability, the plan must change either to an immediate gain method that directly calculates an accrued liability or to a spread gain method that maintains an unfunded liability. A plan may adopt any cost method that satisfies this requirement and that is acceptable under section 412 and the regulations thereunder, provided that the plan administrator

follows the procedures established by the Commissioner for changes in funding methods. The initial restoration amortization base is determined using the valuation for the plan year in which the initial post-restoration valuation date falls. The initial restoration amortization base equals the accrued liability with respect to plan benefit liabilities returned by the PBGC less the value of the plan assets returned by the PBGC. The initial restoration amortization base replaces all prior amortization bases including those under section 412(b)(2) (B), (C), and (D) and under section 412(b)(3)(B). Any base resulting from a change in funding method, including a change required under this paragraph, is treated as a prior amortization base within the meaning of this paragraph (b). Any accumulated funding deficiency or credit balance in the funding standard account is set equal to zero when the initial restoration amortization base is established.

(2) *Example.* The following example illustrates the provisions of this paragraph (b):

Example. A pension plan uses the calendar year as its plan year, makes its annual periodic valuation as of January 1, and uses the unit credit actuarial cost method for funding purposes. The plan is in the process of being terminated. By order of the PBGC the plan is restored as of July 1, 1991. The initial post-restoration valuation date is January 1, 1992, and a restoration payment schedule order is issued on October 31, 1992. If, as of January 1, 1992, the accrued liability of the plan is \$1,000,000 and the value of the plan assets is \$200,000, the initial restoration amortization base is \$800,000.

(c) *Establishment of a restoration payment schedule*—(1) *Certification requirement.* When the PBGC establishes a restoration payment schedule, the Executive Director of the PBGC must certify to the PBGC's Board of Directors, and to the Internal Revenue Service, that the PBGC has reviewed the funding of the plan, the financial condition of the plan sponsor and its controlled group members, the payments required under the restoration payment schedule (taking into account the availability of deferrals authorized under paragraph (c)(4) of this section), and any other factor that the PBGC deems relevant, and, based on that review, determines that it is in the best interests of participants and beneficiaries of the plan and the pension insurance program that the restored plan not be reterminated.

(2) *Requirements for restoration payment schedule*—(i) *Amortization of base over period of no more than 30 years.* The restoration payment schedule

must be prescribed in an order requiring the employer to make stated contributions to the plan sufficient to amortize the initial restoration amortization base over a period extending not more than 30 years after the initial post-restoration valuation date (the restoration payment period). Payments included in the restoration payment schedule order are charged to the funding standard account of the plan at the end of each plan year in accordance with paragraph (d) of this section. The restoration payment schedule must provide for total charges that are sufficient to amortize the entire amount of the initial restoration amortization base by the end of the restoration payment period. The scheduled charges need not be in level amounts, but the present value of the prescribed charges on the initial post-restoration valuation date, computed with interest at the valuation rate, must equal the initial restoration amortization base.

(ii) *Minimum annual charge.* The restoration payment schedule must prescribe annual charges that are sufficient to prevent the outstanding balance of the initial restoration amortization base from exceeding whichever of the following amounts is applicable—

(A) During the first 10 plan years on the restoration payment schedule, the amount of the initial restoration amortization base on the date the base was established; or

(B) During plan years 11 through 20 on the restoration payment schedule, the maximum permitted outstanding balance of the initial restoration amortization base at the end of the tenth plan year, as calculated under paragraph (c)(2)(iii) of this section; or

(C) During plan years 21 through the end of the restoration payment schedule, the maximum permitted outstanding balance of the initial restoration amortization base at the end of the twentieth plan year, as calculated under paragraph (c)(2)(iii) of this section.

(iii) *Interim amortization requirements.* The restoration payment schedule must provide for sufficient periodic charges so that the outstanding balance of the initial restoration amortization base at the end of the tenth plan year and at the end of the twentieth plan year of the restoration payment period will not be larger than the outstanding balance that would have remained at the end of the tenth plan year and at the end of the twentieth plan year, respectively, if the initial restoration amortization base had been amortized in level annual amounts over

the restoration payment period at the valuation rate.

(3) *Amendments to the restoration payment schedule.* The order establishing the restoration payment schedule may be amended by the PBGC from time to time with respect to any remaining payments, provided that no amendment may extend the restoration payment period beyond 30 years from the initial post-restoration valuation date, and provided further that the restoration payment schedule, as amended, satisfies the requirements of paragraph (c)(2) of this section.

(4) *Deferral of minimum scheduled annual payment amounts—(i) Authority to grant deferral.* Not later than 2½ months following the end of the plan year, the PBGC may grant a deferral of the charges required in the restoration payment schedule for that plan year if the requirements in paragraph (c)(4)(ii) of this section are satisfied. The PBGC may require the plan sponsor and its controlled group members to provide security to the plan as a condition to granting a deferral.

(ii) *Determination of business hardship.* Before granting a deferral under this paragraph (c)(4), the PBGC must make a determination that the granting of the deferral is in the best interests of plan participants and the plan termination insurance system, and that the plan sponsor and its controlled group members are unable to make the scheduled restoration payments without experiencing temporary substantial business hardship. In making these determinations, the factors the PBGC shall consider, include, but are not limited to, the following—

(A) Whether the plan sponsor and its controlled group members are operating at an economic loss;

(B) Whether there is substantial unemployment or underemployment in the trades or businesses of the plan sponsor and its controlled group members;

(C) Whether the sales and profits of the industry or industries are depressed or declining; and

(D) Whether it is reasonable to expect that the plan termination insurance system will suffer a greater loss if the plan is terminated than if it is continued as a restored plan.

(iii) *Amount of deferral.* The amount of the deferral for any particular plan year may not exceed the lesser of the amount that would have been required to be contributed under the restoration payment schedule for that year or interest at the valuation rate on the outstanding balance of the initial restoration amortization base for that year. An amortization payment for a

deferral granted for a prior plan year may not be deferred. No deferral may extend the overall restoration payment period beyond 30 years.

(iv) *Modification of payment schedule.* The restoration payment schedule must be adjusted to reflect any deferral granted for a plan year in the manner prescribed in this paragraph (c). The charge otherwise specified in the schedule is reduced by the amount of any deferral. The charges under the restoration payment schedule for the subsequent plan years are increased by the amounts in paragraph (c)(4)(v) of this section.

(v) *Amortization of deferred amount.* The amount of any deferral granted by the PBGC for any plan year must be amortized in level amounts over five years or such shorter period as may be prescribed by the PBGC, at the valuation rate, beginning with the plan year following the year of the deferral.

(vi) *Number of deferrals permitted.* The PBGC may not grant more than five deferrals of the minimum scheduled payments as required by this section during the restoration payment period and no more than three of these deferrals may be granted during the first ten years of that period.

(vii) *Deferrals override minimum annual charges and interim amortization requirements.* In determining the minimum annual charge under paragraph (c)(2)(ii) of this section and in applying the interim amortization requirements of paragraph (c)(2)(iii) of this section, the unamortized balances of any deferrals granted by the PBGC under this paragraph shall be added to the outstanding balance of the initial restoration amortization base otherwise allowable.

(d) *Charging the scheduled restoration payments to the funding standard account.* In addition to any other charges and credits prescribed in the normal operation of the funding standard account under section 412, the amount of each payment specified in the restoration payment schedule shall be charged against the funding standard account of the plan for the plan year to which that payment is attributed in the restoration payment schedule. To the extent that the restoration payment schedule provides for payments before the end of the plan year, the annual charge to the funding standard account attributable to the restoration payment schedule is equal to the sum of the periodic payments for the plan year accumulated with interest at the valuation rate to the last day of the plan year.

(e) *Changes in actuarial assumptions or methods.* The plan administrator must notify the PBGC of any changes in the actuarial assumptions or methods used by the plan. Upon notification of any such change, the PBGC may make any changes to the restoration payment schedule that it deems appropriate.

(f) *Change to restoration method.* A plan that has been restored must use the restoration method until the initial restoration amortization base has been fully amortized. The use of this method does not require prior approval from the Commissioner. A plan using the restoration method must compute the charges to the funding standard account to amortize the initial restoration amortization base in accordance with the order of the PBGC and in accordance with this section.

(g) *Deficit reduction contribution—(1) Calculation of deficit reduction contribution.* For any plan using the restoration method, the deficit reduction contribution under section 412(l)(2) is equal to the sum of—

(i) The unfunded section 412(l) restoration liability amount; plus

(ii) The unfunded new liability amount.

(2) *Unfunded section 412(l) restoration liability amount.* The unfunded section 412(l) restoration liability amount is the amount necessary to amortize fully the unfunded section 412(l) restoration liability in installments, as prescribed by the PBGC, over not more than 30 years. The annual amount need not be level, but at all times the present value of the future amortization charges prescribed under the restoration payment schedule, at the current liability interest rate, must equal the outstanding balance of the unfunded section 412(l) restoration liability and the schedule must provide that at the end of no more than 30 years the entire amount of the unfunded section 412(l) restoration liability base will have been fully amortized. The schedule prescribed for amortization of the unfunded section 412(l) restoration liability must comply with the requirements imposed in paragraph (c) of this section on the restoration payment schedule, except as provided in paragraph (g)(7) of this section and except that the maximum permitted outstanding balance of the unfunded section 412(l) restoration liability at the end of the tenth plan year must not be greater than the outstanding balance of the section 412(l) restoration liability that would have remained at the end of the tenth plan year if the unfunded section 412(l) restoration liability had been amortized in level amounts over the restoration payment period at the

actual current liability interest rate for each year, increased by the current liability interest rate differential as defined under paragraph (g)(7) of this section. The unfunded section 412(l) restoration liability amount for the tenth plan year otherwise prescribed under the restoration payment schedule is increased by any outstanding current liability interest rate differential. By issuing an appropriate order, the PBGC may permit the outstanding current liability interest rate differential to be amortized over the tenth through the fourteenth plan years. If the PBGC permits the amortization of the outstanding current liability interest rate differential, then the unfunded section 412(l) restoration liability amount for each year to which an amortization payment is attributed under the order shall be increased by such payment. The outstanding balance otherwise required by paragraph (g)(2) of this section is increased by the outstanding balance, if any, of the base resulting from the amortization of the current liability interest rate differential. The PBGC may amend the amortization schedule for the unfunded section 412(l) restoration liability subject to the limits on amendments to the amortization schedule prescribed for the initial restoration amortization base.

(3) *Establishment of unfunded section 412(l) restoration liability.* In the plan year in which the initial post-restoration valuation date falls, the unfunded section 412(l) restoration liability is equal to the unfunded current liability of the plan.

(4) *Unfunded new liability amount.* In the case of a plan using the restoration method, the unfunded new liability amount is the applicable percentage, as defined in section 412(l)(4)(C), of the unfunded new liability determined under paragraph (g)(5) of this section.

(5) *Unfunded new liability.* The unfunded new liability of a plan using the restoration method is the excess, if any, of the unfunded current liability of the plan, within the meaning of section 412(l)(8)(A) for the plan year (determined without taking into account any unpredictable contingent event benefits, even if the event has occurred) over the outstanding balance of the unfunded section 412(l) restoration liability determined under paragraph (g)(3) of this section.

(6) *Offset of amortization charges.* The amounts charged to the funding standard account pursuant to the restoration payment schedule in order to amortize the initial restoration base, as described in paragraph (d) of this section, must be offset against the deficit reduction contribution in paragraph

(g)(1) of this section along with any other applicable amounts provided in section 412(l)(1)(A)(ii).

(7) *Interest rate differential.* During the first 10 plan years after the initial post-restoration valuation date, the restoration payment schedule must prescribe an unfunded section 412(l) restoration liability amount for each plan year that is sufficient to prevent the outstanding balance of the unfunded section 412(l) restoration liability from exceeding the initial amount of the unfunded section 412(l) restoration liability increased by the current liability interest rate differential. The current liability interest rate differential at any point during the first ten years of the restoration payment period is the excess, if any, of the outstanding balance of the unfunded section 412(l) restoration liability determined using the actual current liability interest rate for each year, taking into account the charges described in paragraph (d) of this section, over the outstanding balance of the unfunded section 412(l) restoration liability determined using the lowest, for each year, of the initial current liability interest rate, the current liability interest rate for the computation year, and the valuation interest rate, taking into account the charges described in paragraph (d) of this section.

(h) *Election of the alternative minimum funding standard.* A plan using the restoration method may not elect the alternative minimum funding standard under section 412(g).

(i) *Funding review by the PBGC.* The PBGC must review the funding of any plan using the restoration method at least once in each plan year. As a result of a funding review, the PBGC may amend the restoration payment schedule as provided in paragraph (c)(3) of this section. As part of the funding review, the Executive Director of the PBGC must certify to the PBGC's Board of Directors, and to the Internal Revenue Service, that the PBGC has reviewed the funding of the plan, the financial condition of the plan sponsor and its controlled group members, the payments required under the restoration payment schedule (taking into account the availability of deferrals authorized under paragraph (c)(4) of this section), and any other factor that the PBGC deems relevant, and, based on that review, determines that it is in the best interests of participants and beneficiaries of the plan and the

pension insurance program that the restored plan not be reterminated.

Margaret Milner Richardson,
Commissioner of Internal Revenue.

Approved: October 12, 1993.

Leslie Samuels,

Assistant Secretary of the Treasury.

[FR Doc. 93-25785 Filed 10-21-93; 8:45 am]

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DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Parts 1, 2 and 10

[Docket No. 920671-3225]

RIN 0651-AA55

Changes in Signature and Filing Requirements for Correspondence Filed in the Patent and Trademark Office

AGENCY: Patent and Trademark Office, Commerce.

ACTION: Final rule.

SUMMARY: The Patent and Trademark Office (Office) is amending the rules of practice in patent and trademark cases to: Specify the types of correspondence which will no longer require original signatures; provide for facsimile transmission of certain correspondence to the Office; discontinue use of the drop boxes at Crystal Plaza Building 3 and at the Department of Commerce Building in Washington, DC; and clarify other provisions with respect to practice before the Office.

EFFECTIVE DATE: November 22, 1993. These rules will be applicable to all correspondence filed with the Office on or after the effective date.

FOR FURTHER INFORMATION CONTACT: Abraham Hershkovitz by telephone at (703) 305-9282, by facsimile transmission at (703) 305-8825, or by mail marked to his attention and addressed to Office of the Assistant Commissioner for Patents, Box DAC, Washington, DC 20231.

SUPPLEMENTARY INFORMATION: In a Notice of Proposed Rulemaking published in the *Federal Register* at 57 FR 36034 (August 12, 1992) and in the Patent and Trademark Office Official Gazette at 1142 Off. Gaz. Pat. Office 8-13 (Sept. 1, 1992), the Office proposed to amend the rules of practice in patent and trademark cases to simplify the manner in which correspondence may be transmitted to the Office and clarify other provisions with respect to practice before the Office. This rulemaking includes changes to expand those

situations where a party can use the Certificate of Mailing or Transmission procedure, and minor technical modifications in part 2 of title 37 of the Code of Federal Regulations which were not part of the proposed rulemaking.

Written comments were submitted by twenty-two law firms, five individuals, nine corporations, two organizations and three agencies. An oral hearing was not conducted.

The following includes a discussion of the rules being changed and the reasons for those changes, and an analysis of the comments received in response to the notice of proposed rulemaking.

Discussion of Specific Sections to be Changed or Added

(1) Types of Correspondence No Longer Requiring Original Signatures (Section 1.4)

Section 1.4 is amended to include a new paragraph (d) to specify that most correspondence filed in the Office, which requires a person's signature, may be an original, or a copy thereof. See §§ 1.4 (e) and (f) for types of correspondence where the original must be filed in the Office. The word original, as used in this rulemaking, is defined as correspondence which is personally signed in permanent ink by the person whose signature appears thereon. Where copies of correspondence are acceptable, photocopies or facsimile transmissions may be filed. For example, a photocopy or facsimile transmission of an original of an amendment, declaration, petition, issue fee transmittal form, authorization to charge a deposit account, etc., may be submitted in a patent or trademark application. Furthermore, where copies are permitted, second and further generation copies (i.e., copy of a copy) are acceptable. The original, if not submitted to the Office, should be retained as evidence of proper execution in the event that questions arise as to the authenticity of the signature reproduced on the photocopy or facsimile-transmitted correspondence. If a question of authenticity arises, the Office may require submission of the original.

Section 1.4(e) identifies types of correspondence in which an original must be submitted to the Office. Where an original is required, copies are not acceptable and will not be accorded a receipt date. Correspondence, as referred to in this section, includes application forms for registration to practice before the Office and data sheets for the register of patent attorneys and agents.

Section 1.4(f) provides that when a document that is required by statute to be certified must be filed (such as a certified copy of a foreign patent application, pursuant to 35 U.S.C. 119; a certified copy of an international application, pursuant to 35 U.S.C. 365; a certified copy of a foreign trademark registration, pursuant to 15 U.S.C. 1126(e); a certified copy of a final court order, pursuant to 15 U.S.C. 1119; or a certified copy of a U.S. trademark registration), a copy of the certification, including a photocopy or facsimile transmission, will not be acceptable. The requirement for an original certification does not apply to certifications such as required under §§ 1.8, 1.10, 1.60, 1.97(e) and 3.73(b), since these certifications are not required by statute.

(2) Identification of Applications (Section 1.5)

Section 1.5(a) is amended to make reference to the certificate procedure under § 1.8 consistent with the new title for § 1.8.

(3) Receipt of Correspondence (Section 1.6)

A descriptive heading is added to each paragraph of § 1.6 to identify the content of that paragraph.

The phrase "correspondence" is used in § 1.6 since the terms "papers", "letters" and "fees" all fall within the generic definition of "correspondence".

Section 1.6(a) is amended to clarify that correspondence transmitted by facsimile on weekends or Federal holidays within the District of Columbia, will be accorded the next business day as the date of receipt.

Sections 1.6 (b) and (c) are amended to clarify that weekdays refer to any day except a Saturday, Sunday, or Federal holiday within the District of Columbia.

Section 1.6(c) is amended to delete reference to the box locations in the lobby of Crystal Plaza Building 3, Arlington, Virginia, and at the Department of Commerce Building in Washington, DC. The use of the drop boxes was discontinued on April 21, 1992, and the hours of operation for the attorney's window were extended to midnight, the same hours the drop boxes were available. The public can now deposit correspondence with the Office and obtain an acknowledgement of receipt after normal business hours. See "Changes in How Papers May be Filed in the Patent and Trademark Office," 1137 Off. Gaz. Pat. Office 7 (April 7, 1992).

Use of the drop boxes at Crystal Plaza Building 3 and Department of Commerce Building locations had

caused problems for both the public and the Office. Occasionally, it had been difficult to determine the dates of actual deposit of correspondence in the boxes. On occasion, Office employees and/or members of the public had been denied access to the drop box at the Department of Commerce by building security guards due to a special event taking place at the Department. Additionally, there were instances of correspondence being found outside of the drop boxes (e.g. on the floor of the main lobby of the Department of Commerce Building, on the guard's desk, on a nearby table, etc.). As a result, on occasion, the Office lacked confidence in assigning correct dates of receipt to correspondence deposited in the boxes at Crystal Plaza Building 3 and at the Department of Commerce Building. Given these difficulties, and the fact that the necessity for these boxes has been greatly diminished as a result of the facsimile transmission and certificate of mailing procedures, § 1.6(c) is amended by deleting reference to the drop boxes at Crystal Plaza Building 3 and the Department of Commerce Building.

A new § 1.6(d) is added to specify the types of correspondence which may be transmitted by facsimile and former § 1.6(d) is revised to be consistent with § 1.8(b) and redesignated as § 1.6(e). The widespread use of facsimile transmission and the resulting time saved in correspondence between applicants and the Office prompted the Office to establish a trial program to accept facsimile transmission of certain correspondence. The policy on "Filing of Certain Papers and Authorizations to Charge Deposit Accounts by Facsimile Transmissions" was published at 1096 Off. Gaz. Pat. Office 30 (November 15, 1988) and was supplemented in the notice "Filing of Certain Papers with the Board of Patent Appeals and Interferences by Facsimile Transmission" published at 1108 Off. Gaz. Pat. Office 15 (November 14, 1989). The policy on "Filing of Certain Trademark Papers and Authorizations to Charge Deposit Accounts by Facsimile Transmission" was published at 1123 Off. Gaz. TM. Office 18 (February 12, 1991). In light of the success of the trial program, a policy on acceptance of facsimile transmission is incorporated into § 1.6(d). The situations where transmission of correspondence by facsimile is permitted have been increased over those permissible under the trial program outlined above. The situations where transmissions by facsimile remain prohibited are identified in § 1.6(d)(1)–(9). Prohibitions cover situations where originals are

required as specified in §§ 1.4(e) and (f), and situations where accepting a facsimile transmission would be unduly burdensome on the Office. As a courtesy, the Office will attempt to notify senders whenever correspondence is sent to the Office by facsimile transmission that falls within one of these prohibitions. Senders are cautioned against submitting correspondence by facsimile transmission which is not permitted under § 1.6(d) since such correspondence will not be accorded a receipt date.

This final rulemaking expands the acceptability of facsimile transmissions to certain patent interference proceedings, not included in the proposed rulemaking, to reflect the practice set forth at 1108 Off. Gaz. Pat. Office 15 (November 14, 1989).

Under § 1.6(d)(4) as adopted in this final rulemaking, drawings submitted under §§ 1.81, 1.83–1.85, 1.152, 1.165, 1.174, 1.437, 2.51, 2.52 or 2.72 may not be filed by facsimile in patent and trademark applications. The experience of the Office is that the quality of the drawings received by facsimile transmission is generally not sufficient to comply with the drawing requirements set forth in these rules. However, applicants may submit by facsimile transmission proposed drawing corrections for approval by the Office.

In trademark proceedings, the facsimile transmission of specimens in response to an Office action will be permitted. Facsimile-transmitted specimens must be legible in order to be accepted and examined as specimens.

The date of receipt accorded to any correspondence permitted to be sent by facsimile transmission is the date the complete transmission is received by an Office facsimile unit, unless the transmission is completed on a Saturday, Sunday, or Federal holiday within the District of Columbia. Correspondence for which transmission was completed on a Saturday, Sunday, or Federal holiday within the District of Columbia, will be accorded a receipt date on the next succeeding day which is not a Saturday, Sunday, or Federal holiday within the District of Columbia. For example, a facsimile transmission to the Office from California starting on a Friday at 8:45 p.m. Pacific time and taking 20 minutes, would be completed at 9:05 p.m. Pacific time. The complete transmission would be received in the Office around 12:05 a.m. Eastern time on Saturday. The receipt date accorded to the correspondence is the date of the following business day, which in this case, would be Monday (assuming that

Monday was not a Federal holiday within the District of Columbia).

The following lists itemize types of correspondence which may not be filed by facsimile transmission and, if submitted by facsimile, will not be accorded a date of receipt:

Correspondence Relative to Patents and Patent Applications Where Filing by Facsimile Transmission is Not Permitted

(1) A document that is required by statute to be certified;

(2) A national patent application specification and drawing or other correspondence for the purpose of obtaining an application filing date;

(3) Drawings submitted under §§ 1.81, 1.83–1.85, 1.152, 1.165, 1.174, or 1.437;

(4) Correspondence in an interference which an examiner-in-chief orders to be filed by hand or "Express Mail";

(5) Agreements between parties to an interference under 35 U.S.C. 135(c);

(6) Correspondence to be filed in an interference proceeding which consists of a preliminary statement under § 1.621; a transcript of a deposition under § 1.676 or of interrogatories, cross-interrogatories, or recorded answers under § 1.684(c); or an evidentiary record and exhibits under § 1.653;

(7) Correspondence to be filed in a patent application subject to a secrecy order under §§ 5.1–5.8 of this chapter and directly related to the secrecy order content of the application;

(8) An international application for patent;

(9) A copy of the international application and the basic national fee necessary to enter the national stage, as specified in § 1.494(b) or § 1.495(b);

(10) a Request for reexamination under § 1.510.

Correspondence Relative to Trademark Registrations and Trademark Applications Where Filing by Facsimile Transmission is Not Permitted

(1) The filing of a trademark application;

(2) Drawings submitted under §§ 2.51, 2.52, or 2.72;

(3) An affidavit showing that a mark is still in use or containing an excuse for nonuse under section 8 (a) or (b) or section 12(c) of the Trademark Act, 15 U.S.C. 1058(a), 1058(b), 1062(c);

(4) An application for renewal of a registration under section 9 of the Trademark Act, 15 U.S.C. 1059;

(5) A petition to cancel a registration of a mark under section 14, subsection (1) or (2) of the Trademark Act, 15 U.S.C. 1064;

(6) In an application under section 1(b) of the Trademark Act, 15 U.S.C.

1051(b), the filing of an amendment to allege use in commerce under section 1(c) of the Trademark Act, 15 U.S.C. 1051(c); or the filing of a statement of use under section 1(d)(1) of the Trademark Act, 15 U.S.C. 1051(d)(1);

(7) Requests for cancellation or amendment of a registration under section 7(e) of the Trademark Act, 15 U.S.C. 1057(e); and certificates of registration surrendered for cancellation or amendment under section 7(e) of the Trademark Act, U.S.C. 1057(e);

(8) Correspondence to be filed with the Trademark Trial and Appeal Board, except the notice of ex parte appeal.

Correspondence Relative to Practitioner Registrations, Investigations, and Disciplinary Proceedings Where Filing by Facsimile Transmission is Not Permitted

Correspondence requiring a person's signature and relating to:

(1) Registration to practice before the Patent and Trademark Office in patent cases;

(2) Enrollment and disciplinary investigations; or

(3) Disciplinary proceedings.

(4) Certificate of Mailing or Transmission Procedure (Section 1.8)

The title of § 1.8 is changed from Certificate of Mailing to Certificate of Mailing or Transmission so as to include facsimile transmissions.

Section 1.8(a) prescribes procedures for the use of a certificate of mailing or transmission to file papers or fees in the Office by first class mail or by facsimile transmission. The description of the Certificate of Mailing or Transmission practice is set forth in § 1.8(a)(1), and the list of exceptions to the certificate practice is found in § 1.8(a)(2). The phrase "papers or fees" in § 1.8(a) is changed to "correspondence" since both "papers" and "fees" fall within the generic definition of "correspondence". Paragraphs (a) and (b) of § 1.8 are amended to include correspondence transmitted by facsimile. In the event that correspondence is filed by facsimile transmission, it is recommended that the sending facsimile machine generate a report confirming transmission for each transmission session. This report should be retained by the applicant, along with the correspondence used as the original, as evidence of content and date of transmission. Paragraph (a)(2) of § 1.8 is amended to include separate headings for correspondence which relate to patents, trademarks and disciplinary proceedings. The sequence of some of the paragraphs found in § 1.8(a)(2) has been changed in order to have those paragraphs listed under the

appropriate heading. The ability to use the Certificate of Mailing or Transmission procedures has been expanded to the filing of an affidavit under section 15, subsection (3) of the Trademark Act, 15 U.S.C. 1065(3), the filing of a notice of election to proceed by civil action in an inter partes proceeding under 35 U.S.C. 141 or 15 U.S.C. 1071(a)(1), in response to another party's appeal to the Court of Appeals for the Federal Circuit, the filing of a notice and reasons of appeal under 35 U.S.C. 142 or a notice of appeal under 15 U.S.C. 1071(a)(2), and the filing of a statement under 42 U.S.C. 2182 or 42 U.S.C. 2457(c).

Paragraph (a)(2)(vi) of § 1.8 is redesignated as paragraph (a)(2)(x) and amended to refer to section 14(1) or 14(2) of the Trademark Act, 15 U.S.C. 1064, to conform with the numbering of the Trademark Law Revision Act of 1988. Other sections of paragraph (a)(2) of § 1.8 are amended to identify the types of correspondence which will not receive the benefit of a certificate of mailing or transmission.

Paragraph (b) of § 1.8 outlines procedures to be followed to document the timely filing of correspondence in accordance with § 1.8(a) where such correspondence is not received by the Office. The phrase "correspondence or fees" in § 1.8(b) is changed to "correspondence" since "fees" fall within the generic definition of "correspondence". Before adoption of this final rule, § 1.8(b) required that the party forwarding the correspondence or fee include a declaration, under §§ 1.68 or 2.20 of this chapter, attesting to the previous timely mailing or transmission. In order to be consistent with other sections in parts 1 and 2 of this chapter, the practice under § 1.8(b) is amended to permit a practitioner, as defined in § 10.1(r), to submit a statement rather than an oath or declaration under § 1.68 or 2.20 of this chapter.

New paragraph (c) of § 1.8 is added to explicitly provide for a requirement for additional evidence relating to the mailing or transmission of correspondence in accordance with paragraph (a) of this section. The Office may invoke this requirement when it is deemed appropriate to establish an actual date of mailing or transmission. See, e.g., *In re Klein*, 6 USPQ2d 1547 (Comm'r Pat. 1987), *aff'd sub. nom. Klein v. Peterson*, 696 F. Supp. 695, 8 USPQ2d 1434 (D.D.C. 1988), *aff'd*, 866 F.2d 412, 9 USPQ2d 1558 (Fed. Cir.), *cert. denied*, 490 U.S. 1091 (1989).

(5) Time for Appeal or Civil Action (Section 1.304)

In section 1.304, paragraphs (a) and (c) are amended to delete a statement that use of the certificate procedure under § 1.8 is prohibited so as to be consistent with changes to § 1.8. Also, a cross reference to § 1.658 in paragraph (a) is clarified.

(6) Submission of Maintenance Fees (Section 1.366)

Section 1.366(b) is amended by deleting the words "of mailing" to conform with the new title for § 1.8.

(7) Filing Date of Application for Extension of Patent Term (Section 1.741)

Section 1.741(a) is amended to conform with the new title for the certificate procedure under § 1.8.

(8) Appeal to Court and Civil Action (Section 2.145)

Sections 2.145(c)(3) and 2.145(d)(1) are amended to conform with the revised list of types of correspondence excluded from the certificate of mailing or transmission procedure set out in § 1.8. Formerly, the notice of election to proceed by civil action in an inter partes proceeding under 35 U.S.C. 141 or section 21(a)(1) of the Trademark Act, 15 U.S.C. 1071(a)(1), and the filing of notice and reasons of appeal under 35 U.S.C. 142 or a notice of appeal under section 21(a)(2) of the Trademark Act, 15 U.S.C. 1071(a)(2), were specifically excluded, under §§ 1.8(a)(2) (viii) and (ix), respectively, from the certificate of mailing procedure. Since these notices are no longer excluded under amended § 1.8(a)(2), §§ 2.145(c)(3) and 2.145(d)(1) are amended to conform with § 1.8 by deleting the last sentence which provided that the certificate of mailing procedure was not available.

(9) Reconsideration of Affidavit or Declaration (Section 2.165)

Section 2.165(a)(1) is amended to refer to the new title for the certificate procedure under § 1.8 of this chapter.

(10) Signature and Certificate of Practitioner (Section 10.18)

Section 10.18 is modified to clarify signature requirements for correspondence signed by practitioners. The reference to § 1.4 of this chapter will make it apparent that copies, including photocopies or facsimile transmissions, of correspondence signed by practitioners will be accepted under appropriate circumstances.

(11) Misconduct (Section 10.23(c))

Section 10.23(c) is amended to refer to the new title for the certificate procedure under § 1.8 of this chapter.

Response to Comments on the Rules

The comments received in response to the notice of proposed rulemaking have been given careful consideration and a number of the suggested modifications have been adopted. The comments and responses are discussed below.

Comment: In order to clarify how the Office will treat a copy of a paper, one comment suggested changing the second sentence in proposed § 1.4(d) to indicate that, except as provided in §§ 1.4(e) and (f), a copy would be treated by the Office as if the original had been filed.

Response: While the suggested language was not adopted, the rule was modified to clarify that, except as provided in §§ 1.4(e) and (f), an original or a copy thereof may be filed. The rules as stated in this final rulemaking are clear that, where an original is not required, a paper filed will be treated in the same way regardless of whether it is an original or a copy.

Comment: Five comments objected to a perceived requirement in § 1.4(d) that the color of ink used for signing a paper be different from the printing on the paper.

Response: Proposed § 1.4(d) did not require that the color of ink used for signing a paper be different from the printing on the paper. The suggested use of different colors of ink is a preferred procedure for distinguishing between an original and a copy. However, in order to avoid further confusion, the suggestion that a different color of ink be used has been deleted.

Comment: One comment recommended that the issue of signature authenticity end upon issuance of a patent in order to reduce the need to keep files in storage for long periods of time and to remove the burden on applicants of having to retrieve files from storage.

Response: Once a patent issues, the Office is not likely to inquire into any matters related to signature authenticity of correspondence filed in that patent application. Nevertheless, on rare occasions, a question of signature authenticity might arise after the issuance of a patent. Applicants must therefore make their own decisions as to how long to retain originals.

Comment: Two comments questioned the justification for proposed § 1.4(e) requiring originals to be submitted in international patent applications.

Response: Section 1.4(e), as adopted, does not prohibit the filing of

photocopies in an international patent application. With regard to facsimile transmissions, Patent Cooperation Treaty (PCT) Rule 92.4, as revised on July 1, 1992, permits the filing by facsimile of certain correspondence related to an international patent application. However, as indicated in §§ 1.6(d)(3), 1.8(a)(2)(iv) and 1.8(a)(2)(vi), the filing by facsimile is not permitted in the following situations relative to international applications for patent: (1) the filing of an international application for patent and (2) the filing of a copy of the international application and the basic national fee necessary to enter the national stage, as specified in §§ 1.494(b) or 1.495(b).

Applicants are cautioned, however, that the Certificate of Mailing or Transmission provisions of § 1.8 do not apply to correspondence filed in an international application before the U.S. Receiving Office, the U.S. International Searching Authority, or the U.S. International Preliminary Examining Authority, regardless of whether the correspondence was filed by mail or facsimile transmission. See § 1.8(a)(2)(5).

Comment: One comment suggested that, in applications filed under § 1.60, the certification that the application and papers being filed are true copies of those filed in the parent application should be excluded from the original signature requirement.

Response: Filing of copies of statements under § 1.60 as well as certifications under §§ 1.8, 1.10, 1.97(e) and 3.73(b) will be permitted. The certified documents referred to in § 1.4(f) are those which are required to be certified by statute (e.g., certified documents under 35 U.S.C. 119).

Comment: One comment questioned whether routine papers could be photocopied with a practitioner's signature thereon with appropriate information being filled in later by another person.

Response: Section 10.18(a) states that the signature of a practitioner, on correspondence filed, constitutes a certificate that the correspondence has been read by the practitioner.

Accordingly, the photocopying of papers with a practitioner's signature thereon and subsequently having appropriate information filled in by another person, is not authorized or permitted under the rules.

Comment: One comment questioned whether a docket clerk could use a signature stamp of a registered attorney on a transmittal letter.

Response: Section 10.18(a) states that correspondence filed by a practitioner must be personally signed by that

practitioner. Accordingly, use of a signature stamp of a registered attorney by a docket clerk would not be permitted.

Comment: Two comments suggested that the facsimile transmission practice be further liberalized to permit scanned-in signatures to be affixed to facsimile or electronically transmitted correspondence. The personal, handwritten signature would be affixed on a copy of the transmitted correspondence which would be kept by the applicant or his or her representative.

Response: The Office is actively considering acceptance of electronically filed applications and papers related thereto. See "Electronic Filing of Patent and Trademark Applications" published at 57 FR 56537 (November 30, 1992) and 1145 Off. Gaz. Pat. Office 378 (December 22, 1992). Until an acceptable program is established, every paper, requiring a signature, filed in the Office, regardless of the manner in which it was transmitted, will have to be a paper which was signed by the person whose signature appears thereon, or be a copy thereof. Scanned signatures affixed to papers which were not personally signed will not be permitted at this time.

Comment: One comment indicated that proposed § 1.5(a) appeared to be contrary to PCT Article 27(1) in that it added the additional requirement not set forth in the PCT of requiring correspondence concerning an international application to identify the international application number.

Response: PCT Rule 92.1 requires any paper relating to an international application to identify the international application to which it relates. In order to ensure prompt and proper association of correspondence with the intended application file, it is essential to use the application number on all papers. The practice (which was not a new one added in this rulemaking) is a mere implementation of the requirement in PCT Rule 92.1 and is not contrary to PCT Article 27(1) as no additional requirement is being placed on applicants.

Comment: Two comments recommended an increase from two weeks to 30 days or one month in the period provided in § 1.5(a) for resubmission of correspondence.

Response: The two-week period provided in § 1.5(a) is to enable applicants to provide the necessary identifying data where such data was not provided during the original submission. This is intended to permit immediate resubmission and no additional time is deemed to be

necessary. Extending this period to 30 days would unnecessarily delay prosecution of applications.

Comment: Section 1.5(a) suggests that all letters directed to the Office concerning applications for patents should also state "Patent Application". One comment suggested that § 1.5(a) be amended to replace the restrictive reference to a "Patent Application" to read "identifying the correspondence as relating to a patent application".

Response: In order to make it easier for Office employees handling incoming correspondence to direct mail, § 1.5(a) recommends that letters relating to a patent application should state "Patent Application". The suggestion in the comment was not adopted since uniformity in the reference to "Patent Application" is desirable. Furthermore, this suggested labeling is not a requirement as evidenced by the use of the word "should" rather than "must".

Comment: Section 1.5(a) states that "No correspondence relating to an application should be filed prior to when notification of the application number is received from the Patent and Trademark Office". One comment suggested that the phrase "notification of the application number" was not adequately defined as it was not clear if applicants had to wait for the official filing receipt before information disclosure statements or other papers could be filed.

Response: The phrase "notification of the application number" as used in § 1.5(a) includes any manner in which an applicant becomes aware of the application number. The phrase is purposely broad and is not limited to the mailing of an official filing receipt. Rather, it includes a return post card which has an application number stamped thereon. The reasoning behind the statement in § 1.5(a) that no correspondence should be filed prior to notification of the application number is that correspondence received without an application number is difficult to match with the appropriate file. Further defining the phrase "notification of the application number" in § 1.5(a) is not warranted.

Comment: One comment suggested defining a business day as Monday through Friday, except for Federal holidays in the District of Columbia.

Response: It is not clear which section the comment was directed to, but § 1.6 indicates that no correspondence will be received by the Office on Saturdays, Sundays or Federal holidays within the District of Columbia. Since the language has not created problems in the past, the suggestion will not be adopted.

Comment: Two comments suggested amending § 1.6(c) to indicate the hours of operation in the "walk-up window".

Response: Specifying in the regulations the hours of operation of the "walk-up window" is unnecessary. The hours of operation have been published in Official Gazette announcements and if those hours are changed in the future, the new schedule will be published. Should the hours of operation of the "walk-up window" be changed due to unforeseen circumstances (i.e., snow emergency, etc.), a sign will be posted at the "walk-up window" giving an alternate location to deposit correspondence for the Office.

Comment: Two comments requested that the Office reconsider and withdraw the proposal to eliminate the mail drop box at the guard's desk at the Department of Commerce Building in Washington, DC.

Response: As indicated in the notice of proposed rulemaking, members of the public were occasionally denied access to the drop box at the Department of Commerce. Additionally, the Office lacked confidence in assigning correct dates of receipt to correspondence deposited in the box as a result of instances when correspondence was found outside of the drop box. Further, since there are many ways to file papers with the Office (i.e., certificate of mailing or transmission, Express Mail, facsimile transmission, longer hours at the "walk-up window"), there is no need to maintain an off-site drop box.

Comment: One comment suggested that the Office publish phone numbers for facsimile machines at various locations, (i.e., Publishing Division, various examining groups, etc.), in order to enable the public to direct their transmissions to a particular location, rather than a central location.

Response: The suggestion has been adopted. See "Patent and Trademark Office (PTO) Information Contacts", 1149 Off. Gaz. Pat. Office 67 (April 27, 1993). The Office will publish in the Official Gazette periodic updates of this list.

Comment: Three comments advocated a further expansion of the facsimile transmission practice to permit transmission of any paper which did not require an original signature. According to the comment, it was difficult to understand why the Office would not permit facsimile transmission of certain papers directly to the Office, but would accept those same papers if transmitted by facsimile to a third party who then hand-delivered the papers to the Office.

Response: The only papers, not requiring an original signature or certification, which the Office will not

accept by facsimile transmission are those which, for various reasons, would cause an undue burden on the Office. For example, papers submitted for the purpose of obtaining an application filing date are often rather voluminous, difficult to collate and would create inefficiencies in tying up the Office facsimile machines for long periods of time. In addition, there is a time and content criticality to papers filed for the purpose of obtaining a filing date which is not shared by other types of papers. Another example would be drawings submitted under §§ 1.81, 1.83-1.85, 1.152, 1.165, 1.174, 1.437, 2.51, 2.52, or 2.72. Experience has shown that the quality of drawings received by facsimile transmission would typically result in an objection by the Official Draftsman. Disputes might arise at that point as to whether the cause of the poor quality was applicant's transmitting unit or the receiving unit of the Office. Hence, the Office will continue to prohibit facsimile transmission of certain papers as specified in § 1.6(d).

Comment: Section 1.6(d) states that the receipt date accorded to a paper transmitted by facsimile will be the date on which the complete transmission is received in the Office. Three comments objected to this language by arguing that this practice discriminated against West Coast practitioners and gave an advantage to East Coast practitioners because the West Coast practitioners had only until 9 p.m. to complete a transmission in order to receive the benefit of that day's filing.

Response: The facsimile transmission practice is similar to regular mail practice. Thus, a West Coast practitioner depositing correspondence with the local postal service without a certificate of mailing will receive as a receipt date the date on which the Office receives the correspondence, rather than the date on which the correspondence was deposited. Similarly, a paper transmitted by facsimile will be accorded, as the date of receipt, the date on which the complete transmission was received in the Office, unless the date of receipt is a Saturday, Sunday, or Federal holiday within the District of Columbia, in which case, the date of receipt will be the next business day.

The certificate practice provided in § 1.8, on the other hand, permits the sender to indicate on the correspondence the date of mailing or transmission from the sender's perspective, which date would then be effective to meet a deadline set for response. Use of the certificate of mail or transmission is applicable to correspondence submitted by mail and

correspondence transmitted by facsimile. If transmitted by facsimile, the person signing the certificate certifies the expectation that the transmission would be initiated before midnight, local time.

By way of example, a West Coast practitioner preparing a response on the last day of the period for response would have to use the § 1.8 certificate of mailing procedure or the § 1.10 Express Mail procedure, for the response to be considered timely, if the correspondence was sent by way of the U.S. Postal Service. If the practitioner chose to send the correspondence by facsimile on the last day for response and the transmission was started before 9 p.m. Pacific time, but was completed after 9 p.m. Pacific time, the Office would accord that correspondence a receipt date as of the next business day, which would be after the period for response expired because the Office would have received the correspondence after midnight Eastern time of the last day for response. However, if the practitioner affixed a certificate of transmission to the correspondence sent by facsimile transmission, indicating that the correspondence was being transmitted on the last day in the period for response, then the correspondence would be considered timely filed.

As another example, a transmission started before midnight, Pacific time, on the last day for response and having a certificate of transmission affixed thereto, would be considered timely filed even though the transmission was completed after midnight, Pacific time and was received in the Office the day after the deadline for response.

Comment: One comment suggested replacing "drawings" in § 1.6(d)(4) with "formal drawings" for clarity.

Response: The suggestion has not been adopted because the phrase "formal drawings" does not find support or antecedent basis in sections referred to in § 1.6(d)(4).

Comment: One comment objected to the perceived requirement for a certificate of transmission in order for a facsimile-transmitted document to be accorded a date of receipt.

Response: The receipt date accorded to correspondence eligible for facsimile transmission, whether containing a certificate of transmission or not, will be the date of receipt in the Office of the complete transmission (unless that date is a Saturday, Sunday, or Federal holiday within the District of Columbia, in which case the date accorded will be the next business day). The certificate of transmission, if used, is for purposes of establishing timely filing if the

correspondence is transmitted within the period for response but is (1) received in the Office after expiration of the period for response, or (2) lost or (3) not received by the Office.

Comment: One comment requested clarification as to what constituted a "complete transmission" as used in § 1.6(d).

Response: The context in which the phrase "complete transmission" was used in § 1.6(d) was to indicate that the transmission was finished. For example, if page 1 of a ten-page facsimile transmission is received in the Office at 11:55 p.m. on a Tuesday and page 10 of that transmission is received at 12:05 a.m. Wednesday, the receipt date accorded to that correspondence will be the date of that Wednesday. (This example assumes that Wednesday is not a Federal holiday within the District of Columbia).

Comment: One comment questioned whether a confirmation in the sender's facsimile machine that the entire facsimile was received constituted sufficient proof that a transmission was complete.

Response: A confirmation by the sender's facsimile machine is evidence that a transmission was made. As such, the confirmation will be considered together with any other evidence presented when questions of filing by facsimile transmission arise. It is therefore suggested that a certificate of transmission be used to enable the sender to rely on the procedures set forth in § 1.8(b).

Comment: One comment requested clarification as to what constituted an incomplete, faulty or illegible facsimile. Also, if an incomplete transmission was sent near the end of the period for response, will the sender be able to rely on the date the facsimile was initially transmitted, or would the sender have to rely on § 1.137 to revive the application if it became abandoned?

Response: If an incomplete, faulty or illegible facsimile transmission is received, that correspondence will be treated by the Office in the same manner that a comparably incomplete, faulty or illegible piece of correspondence would be treated if the correspondence were hand-delivered or mailed to the Office. Whether the application would be held abandoned upon receipt of an incomplete facsimile transmission or whether an opportunity would be provided to complete the transmission will be decided on a case-by-case basis using the same standards that are currently used—for example, for incomplete responses to Office actions, see § 1.135(c).

Comment: One comment indicated that the proposed practice of not accepting papers related to international applications if transmitted by facsimile and the indication that papers transmitted by facsimile, when prohibited, may be disposed of is contrary to PCT practice wherein PCT expressly provides for facsimile transmission of such papers and when not acceptable, an opportunity to correct is provided.

Response: PCT does not mandate acceptance of facsimile transmissions; it merely authorizes their acceptance. See PCT Rule 92.4(h). Additionally, as indicated above, the suggestion that the Office permit facsimile transmission of correspondence relative to an already filed international application has been adopted to a large extent.

There is no provision in PCT to provide an opportunity for correction when correspondence is filed by facsimile in spite of a refusal by a national Office to accept that type of correspondence by facsimile. As with national applications, the Office will attempt to notify senders whenever a facsimile transmission received is of a type which the Office has not agreed to accept by facsimile. Senders are cautioned against submitting such correspondence by facsimile transmission since the correspondence will not be accorded a filing date or date of receipt in the Office.

Comment: One comment suggested changing the phrase "Certificate of Transfer" in § 1.8 to "Certificate of Transmittal" or "Certificate of Sending" because "transfer" typically implies transfer of ownership interest in patents or trademarks.

Response: While each phrase has its own advantages and drawbacks, the suggestion will not be adopted. Nevertheless, in order to avoid confusion, this rulemaking leaves the old "Certificate of Mailing" intact, while adding "or Transmission" to include correspondence filed by facsimile transmission.

Comment: In the notice of proposed rulemaking, it was recommended that the facsimile machine transmission report be retained by the sender along with the correspondence used as the original, as evidence of content and date of transfer. One comment indicated that the correspondence used as the original can only be retained using the older stand-alone type of facsimile machine, since there is no such physical document with the newer in-computer facsimile cards.

Response: Section 1.4(d)(2) provides for submission of copies, e.g., by facsimile, of originals as defined in

§ 1.4(d)(1). Section 1.4(d)(2) does not provide for transmission of unsigned correspondence from a computer. While § 1.4(d)(2) does not require the sender to retain the original, there may be occasions when the sender will have to document the date and content of a document previously filed by facsimile transmission. The recommendation made in the notice of proposed rulemaking will apply to any situation where a paper document served as the original from which a facsimile was transmitted. If a facsimile transmission by using a computer is desired, a paper copy of the document to be transmitted may be printed out, signed and retained by the sender as evidence of content of the document transmitted. Once signed, if filing of a copy is permitted, the document could be scanned into the computer and facsimile transmitted to the Office.

Comment: In proposed § 1.8(a)(1) published in the *Federal Register*, paragraphs (i) and (ii) were joined with the alternative "or" to indicate that correspondence could be filed by being deposited with the U.S. Postal Service or transmitted by facsimile. This same section was published in the *Official Gazette*, by having paragraphs (i) and (ii) joined with the connective "and". Numerous comments, received apparently from individuals who saw the proposed rules in the *Official Gazette*, objected to the requirement that, in order to receive benefits under § 1.8, correspondence transmitted by facsimile also had to be mailed.

Response: Section 1.8(a)(1) as published in the *Federal Register* was correct, while the version published in the *Official Gazette* contained a typographical error. Hence, §§ 1.8(a)(1)(i) (A) and (B), as adopted in this rulemaking, make clear that the certificate of mailing or transmission practice will be applicable to correspondence mailed or sent by facsimile. The Office discourages the practice of having the same papers submitted by both methods as this practice would result in unnecessary duplication of papers and processing requirements.

Comment: One comment indicated that since all facsimile transmissions include the date and time of the actual facsimile transmission, the Office should not require a certificate of transmission, in order to get the benefit of an earlier filing date under § 1.8(a), when correspondence is transmitted by facsimile.

Response: The Office is concerned that some older machines may not print the date and time of the actual transmission. Furthermore, even on the

new machines the date and time printed by the sending unit may not always be correct, particularly after a temporary electrical disconnection, change in time, etc. Hence, for purposes of being considered timely filed, if the sender wishes to obtain the benefits of a date earlier than the date the complete transmission is received in the Office, the correspondence must include a certification in accordance with § 1.8(a).

A suggested format for a Certificate of Mailing and a Certificate of Transmission under § 1.8, to be included with the correspondence, is reproduced below:

Certificate of Mailing

I hereby certify that this correspondence is being deposited with the United States Postal Service with sufficient postage as first class mail in an envelope addressed to:
Commissioner of Patents and Trademarks
Washington, DC 20231
on _____

Date _____
Signature _____
Typed or printed name of person signing certificate _____

Certificate of Transmission

I hereby certify that this correspondence is being facsimile transmitted to the Patent and Trademark Office:
on _____

Date _____
Signature _____
Typed or printed name of person signing certificate _____

Other Considerations

The rule changes are in conformity with the requirements of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), Executive Orders 12291 and 12612 and the Paperwork Reduction Act of 1980, 44 U.S.C. 3501 *et seq.*

The General Counsel of the Department of Commerce has certified to the Chief Counsel for Advocacy, Small Business Administration, that these rule changes will not have a significant economic impact on a substantial number of small entities (Regulatory Flexibility Act, 5 U.S.C. 605(b)). The principal impact of these changes is to incorporate existing Office policy into the regulations, permit the filing of certain correspondence without an original signature and permit the filing of certain correspondence by facsimile transmission.

The Office has determined that these rule changes are not major rules under Executive Order 12291. The annual effect on the economy will be less than \$100 million. There will be no major increase in costs or prices for consumers, individuals, industries, Federal, state or local government agencies, or geographic regions because

most of the changes reduce procedural burdens. There will be no significant effects on competition, employment, investment, productivity, innovation, or on the ability of United States-based enterprises to compete with foreign-based enterprises in domestic or export markets.

The Office has also determined that these changes have no Federalism implications affecting the relationship between the National Government and the States as outlined in Executive Order 12612.

These rule changes contain collection-of-information requirements subject to the Paperwork Reduction Act of 1980, 44 U.S.C. 3501 *et seq.*, which have previously been approved by the Office of Management and Budget under Control Nos. 0651-0009 and 0651-0011. The public reporting burden for these collections of information for Certificates of Mailing or Transmission is estimated to average 0.1 hours each, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collections of information. Send comments regarding these burden estimates, or any other aspect of these collections of information, including suggestions for reducing the burden, to Abraham HersHKovitz, Office of the Assistant Commissioner for Patents, Box DAC, Washington, DC 20231, and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503 (ATTN: Paperwork Reduction Act Projects 0651-0009 and 0651-0011).

List of Subjects

37 CFR Part 1

Administrative practice and procedure, Freedom of information, Inventions and patents, Reporting and record keeping requirements.

37 CFR Part 2

Administrative practice and procedure, Courts, Lawyers, Trademarks.

37 CFR Part 10

Administrative practice and procedure, Conflicts of interest, Courts Inventions and patents, Lawyers.

For the reasons set out in the preamble, and pursuant to the authority contained in 15 U.S.C. 1123 and 35 U.S.C. 6, parts 1, 2 and 10 of title 37 of the Code of Federal Regulations are amended as set forth below:

PART 1—RULES OF PRACTICE IN PATENT CASES

1. The authority citation for 37 CFR part 1 continues to read as follows:

Authority: 35 U.S.C. 6, unless otherwise noted.

2. In Section 1.4, the heading is revised and paragraphs (d) through (f) are added to read as follows:

§ 1.4 Nature of correspondence and signature requirements.

(d) Each piece of correspondence, except as provided in paragraphs (e) and (f) of this section, filed in a patent or trademark application, reexamination proceeding, patent or trademark interference proceeding, patent file or trademark registration file, trademark opposition proceeding, trademark cancellation proceeding, or trademark concurrent use proceeding, which requires a person's signature, must either:

(1) Be an original, that is, have an original signature personally signed in permanent ink by that person; or

(2) Be a copy, such as a photocopy or facsimile transmission (§ 1.6(d)), of an original. In the event that a copy of the original is filed, the original should be retained as evidence of authenticity. If a question of authenticity arises, the Patent and Trademark Office may require submission of the original.

(e) Correspondence requiring a person's signature and relating to registration to practice before the Patent and Trademark Office in patent cases, enrollment and disciplinary investigations, or disciplinary proceedings must be submitted with an original signature personally signed in permanent ink by that person.

(f) When a document that is required by statute to be certified must be filed, a copy, including a photocopy or facsimile transmission, of the certification is not acceptable.

3. Section 1.5(a) is revised to read as follows:

§ 1.5 Identification of application, patent or registration.

(a) No correspondence relating to an application should be filed prior to when notification of the application number is received from the Patent and Trademark Office. When a letter directed to the Patent and Trademark Office concerns a previously filed application for a patent, it must identify on the top page in a conspicuous location, the application number (consisting of the series code and the serial number, e.g., 07/123,456), or the serial number and filing date assigned to

that application by the Patent and Trademark Office, or the international application number of the international application. Any correspondence not containing such identification will be returned to the sender where a return address is available. The returned correspondence will be accompanied with a cover letter which will indicate to the sender that if the returned correspondence is resubmitted to the Patent and Trademark Office within two weeks of the mail date on the cover letter, the original date of receipt of the correspondence will be considered by the Patent and Trademark Office as the date of receipt of the correspondence. Applicants may use either the Certificate of Mailing or Transmission procedure under § 1.8 or the Express Mail procedure under § 1.10 for resubmissions of returned correspondence if they desire to have the benefit of the date of deposit in the United States Postal Service. If the returned correspondence is not resubmitted within the two-week period, the date of receipt of resubmission will be considered to be the date of receipt of the correspondence. The two-week period to resubmit the returned correspondence will not be extended. If for some reason returned correspondence is resubmitted with proper identification later than two weeks after the return mailing by the Patent and Trademark Office, the resubmitted correspondence will be accepted but given its date of receipt. In addition to the application number, all letters directed to the Patent and Trademark Office concerning applications for patent should also state "PATENT APPLICATION," the name of the applicant, the title of the invention, the date of filing the same, and if known, the group art unit or other unit within the Patent and Trademark Office responsible for considering the letter and the name of the examiner or other person to which it has been assigned.

* * * * *

4. Section 1.6 is revised to read as follows:

§ 1.6 Receipt of correspondence.

(a) *Date of receipt and Express Mail date of deposit.* Correspondence received in the Patent and Trademark Office is stamped with the date of receipt except as follows:

(1) No correspondence is received in the Patent and Trademark Office on Saturdays, Sundays or Federal holidays within the District of Columbia;

(2) Correspondence filed in accordance with § 1.10 will be stamped with the date of deposit as "Express

Mail" with the United States Postal Service unless the date of deposit is a Saturday, Sunday, or Federal holiday within the District of Columbia in which case the date stamped will be the next succeeding day which is not a Saturday, Sunday, or Federal holiday within the District of Columbia;

(3) Correspondence transmitted by facsimile to the Patent and Trademark Office will be stamped with the date on which the complete transmission is received in the Patent and Trademark Office unless that date is a Saturday, Sunday, or Federal holiday within the District of Columbia, in which case the date stamped will be the next succeeding day which is not a Saturday, Sunday, or Federal holiday within the District of Columbia.

(b) *Patent and Trademark Office Post Office pouch.* Mail placed in the Patent and Trademark Office pouch up to midnight on any day, except Saturdays, Sundays and Federal holidays within the District of Columbia, by the post office at Washington, DC, serving the Patent and Trademark Office, is considered as having been received in the Patent and Trademark Office on the day it was so placed in the pouch by the U.S. Postal Service.

(c) *Correspondence delivered by hand.* In addition to being mailed, correspondence may be delivered by hand during hours the Office is open to receive correspondence.

(d) *Facsimile transmission.* Except in the cases enumerated below, correspondence, including authorizations to charge a deposit account, may be transmitted by facsimile. The receipt date accorded to the correspondence will be the date on which the complete transmission is received in the Patent and Trademark Office, unless that date is a Saturday, Sunday, or Federal holiday within the District of Columbia. See § 1.6(a)(3). To facilitate proper processing, each transmission session should be limited to correspondence to be filed in a single application or other proceeding before the Patent and Trademark Office. The application number of a patent or trademark application, the control number of a reexamination proceeding, the interference proceeding, the patent number of a patent, or the registration number of a trademark should be entered as a part of the sender's identification on a facsimile cover sheet. Facsimile transmissions are not permitted and if submitted, will not be accorded a date of receipt, in the following situations:

(1) Correspondence as specified in § 1.4(e), requiring an original signature;

(2) Certified documents as specified in § 1.4(f);

(3) Correspondence which cannot receive the benefit of the certificate of mailing or transmission as specified in § 1.8(a)(2) (i) through (iv), (vi) through (xi) and (xiii);

(4) Drawings submitted under §§ 1.81, 1.83 through 1.85, 1.152, 1.165, 1.174, 1.437, 2.51, 2.52, or 2.72;

(5) A request for reexamination under § 1.510;

(6) Correspondence to be filed in a patent application subject to a secrecy order under §§ 5.1 through 5.8 of this chapter and directly related to the secrecy order content of the application;

(7) Requests for cancellation or amendment of a registration under section 7(e) of the Trademark Act, 15 U.S.C. 1057(e); and certificates of registration surrendered for cancellation or amendment under section 7(e) of the Trademark Act, 15 U.S.C. 1057(e);

(8) Correspondence to be filed with the Trademark Trial and Appeal Board, except the notice of ex parte appeal;

(9) Correspondence to be filed in an interference proceeding which consists of a preliminary statement under § 1.621; a transcript of a deposition under § 1.676 or of interrogatories, cross-interrogatories, or recorded answers under § 1.684(c); or an evidentiary record and exhibits under § 1.653.

(e) Interruptions in U.S. Postal Service.

If interruptions or emergencies in the United States Postal Service which have been so designated by the Commissioner occur, the Patent and Trademark Office will consider as filed on a particular date in the Office any correspondence which is:

(1) Promptly filed after the ending of the designated interruption or emergency; and

(2) Accompanied by a statement indicating that such correspondence would have been filed on that particular date if it were not for the designated interruption or emergency in the United States Postal Service. Such statement must be a verified statement if made by a person other than a practitioner as defined in § 10.1(r) of this chapter.

5. Section 1.8 is revised to read as follows:

§ 1.8 Certificate of mailing or transmission.

(a) Except in the cases enumerated in paragraph (a)(2) of this section, correspondence required to be filed in the Patent and Trademark Office within a set period of time will be considered as being timely filed if the procedure described in this section is followed.

The actual date of receipt will be used for all other purposes.

(1) Correspondence will be considered as being timely filed if:

(i) The correspondence is mailed or transmitted prior to expiration of the set period of time by being:

(A) Deposited with the U.S. Postal Service with sufficient postage as first class mail addressed to the Commissioner of Patents and Trademarks, Washington, DC 20231; or

(B) Transmitted by facsimile to the Patent and Trademark Office in accordance with § 1.6(d); and

(ii) The correspondence includes a certificate for each piece of correspondence stating the date of deposit or transmission. The person signing the certificate should have reasonable basis to expect that the correspondence would be mailed or transmitted on or before the date indicated.

(2) The procedure described in paragraph (a)(1) of this section does not apply to, and no benefit will be given to a Certificate of Mailing or Transmission on, the following:

(i) Relative to Patents and Patent Applications—

(A) The filing of a national patent application specification and drawing or other correspondence for the purpose of obtaining an application filing date;

(B) The filing of correspondence in an interference which an examiner-in-chief orders to be filed by hand or "Express Mail";

(C) The filing of agreements between parties to an interference under 35 U.S.C. 135(c);

(D) The filing of an international application for patent;

(E) The filing of correspondence in an international application before the U.S. Receiving Office, the U.S. International Searching Authority, or the U.S. International Preliminary Examining Authority;

(F) The filing of a copy of the international application and the basic national fee necessary to enter the national stage, as specified in § 1.494(b) or § 1.495(b).

(ii) Relative to Trademark Registrations and Trademark Applications—

(A) The filing of a trademark application;

(B) The filing of an affidavit showing that a mark is still in use or containing an excuse for nonuse under section 8 (a) or (b) or section 12(c) of the Trademark Act, 15 U.S.C. 1058(a), 1058(b), 1062(c);

(C) The filing of an application for renewal of a registration under section 9 of the Trademark Act, 15 U.S.C. 1059;

(D) The filing of a petition to cancel a registration of a mark under section 14, subsection (1) or (2) of the Trademark Act, 15 U.S.C. 1064;

(E) In an application under section 1(b) of the Trademark Act, 15 U.S.C. 1051(b), the filing of an amendment to allege use in commerce under section 1(c) of the Trademark Act, 15 U.S.C. 1051(c); or the filing of a statement of use under section 1(d)(1) of the Trademark Act, 15 U.S.C. 1051(d)(1);

(F) In an application under section 1(b) of the Trademark Act, 15 U.S.C. 1051(b), the filing of a request under section 1(d)(2) of the Trademark Act, 15 U.S.C. 1051(d)(2), for an extension of time to file a statement of use under section 1(d)(1) of the Trademark Act, 15 U.S.C. 1051(d)(1).

(iii) Relative to Disciplinary Proceedings

(A) Correspondence filed in connection with a disciplinary proceeding under part 10 of this chapter.

(B) *Reserved.*

(b) In the event that correspondence is considered timely filed by being mailed or transmitted in accordance with paragraph (a) of this section, but not received in the Patent and Trademark Office, and the application is held to be abandoned or the proceeding dismissed, terminated, or decided with prejudice, the correspondence will be considered timely if the party who forwarded such correspondence:

(1) Informs the Office of the previous mailing or transmission of the correspondence promptly after becoming aware that the Office has no evidence of receipt of the correspondence;

(2) Supplies an additional copy of the previously mailed or transmitted correspondence and certificate, and

(3) Includes a statement which attests on a personal knowledge basis or to the satisfaction of the Commissioner to the previous timely mailing or transmission. Such statement must be a verified statement if made by a person other than a practitioner as defined in § 10.1(r) of this chapter. If the correspondence was sent by facsimile transmission, a copy of the sending unit's report confirming transmission may be used to support this statement.

(c) The Office may require additional evidence to determine if the correspondence was timely filed.

6. Section 1.304 paragraphs (a) and (c) are revised to read as follows:

§ 1.304 Time for appeal or civil action.

(a) (1) The time for filing the notice of appeal to the U.S. Court of Appeals for the Federal Circuit (§ 1.302) or for

commencing a civil action (§ 1.303) is two months from the date of the decision of the Board of Patent Appeals and Interferences. If a request for consideration or modification of the decision is filed within the time period provided under § 1.197(b) or § 1.658(b), the time for filing an appeal or commencing a civil action shall expire two months after action on the request. In interferences, the time for filing a cross-appeal or cross-action expires:

(i) 14 days after service of the notice of appeal or the summons and complaint, or

(ii) Two months after the date of decision of the Board of Patent Appeals and Interferences, whichever is later.

(2) The time periods set forth in this section are not subject to the provisions of §§ 1.136, 1.550(c) or 1.645 (a) or (b).

(3) The Commissioner may extend the time for filing an appeal or commencing a civil action:

(i) For good cause shown if requested in writing before the expiration of the period for filing an appeal or commencing a civil action, or

(ii) Upon written request after the expiration of the period for filing an appeal or commencing a civil action upon a showing that the failure to act was the result of excusable neglect.

* * * * *

(c) If a defeated party to an interference has taken an appeal to the U.S. Court of Appeals for the Federal Circuit and an adverse party has filed notice under 35 U.S.C. 141 electing to have all further proceedings conducted under 35 U.S.C. 146 (§ 1.303(c)), the time for filing a civil action thereafter is specified in 35 U.S.C. 141. The time for filing a cross-action expires 14 days after service of the summons and complaint.

(7) Section 1.366(b) is revised to read as follows:

§ 1.366 Submission of maintenance fees.

* * * * *

(b) A maintenance fee and any necessary surcharge submitted for a patent must be submitted in the amount due on the date the maintenance fee and any necessary surcharge are paid and may be paid in the manner set forth in § 1.23 or by an authorization to charge a deposit account established pursuant to § 1.25. Payment of a maintenance fee and any necessary surcharge or the authorization to charge a deposit account must be submitted within the periods set forth in § 1.362(d), (e) or (f). Any payment or authorization of maintenance fees and surcharges filed at any other time will not be accepted and will not serve as a payment of the maintenance fee except insofar as a

delayed payment of the maintenance fee is accepted by the Commissioner in an expired patent pursuant to a petition filed under § 1.378. Any authorization to charge a deposit account must authorize the immediate charging of the maintenance fee and any necessary surcharge to the deposit account. Payment of less than the required amount, payment in a manner other than that set forth in § 1.23, or the filing of an authorization to charge a deposit account having insufficient funds will not constitute payment of a maintenance fee or surcharge on a patent. The certificate procedures of either § 1.8 or § 1.10 may be utilized in paying maintenance fees and any necessary surcharges.

* * * * *

8. Section 1.741, paragraph (a) is revised to read as follows:

§ 1.741 Filing date of application.

(a) The filing date of an application for extension of patent term is the date on which a complete application is received in the Patent and Trademark Office or filed pursuant to the "Certificate of Mailing or Transmission" provisions of 37 CFR 1.8 or "Express Mail" provisions of 37 CFR 1.10.

* * * * *

PART 2—RULES OF PRACTICE IN TRADEMARK CASES

9. The authority citation for 37 CFR part 2 continues to read as follows:

Authority: 15 U.S.C. 1123; 35 U.S.C. 6, unless otherwise noted.

10. Section 2.145 is amended by revising paragraphs (c)(3) and (d)(1) to read as follows:

§ 2.145 Appeal to court and civil action.

* * * * *

(c) * * * * *

(3) Any adverse party to an appeal taken to the U.S. Court of Appeals for the Federal Circuit by a defeated party in an inter partes proceeding may file a notice with the Commissioner within twenty days after the filing of the defeated party's notice of appeal to the court (paragraph (b) of this section), electing to have all further proceedings conducted as provided in section 21(b) of the Act. The notice of election must be served as provided in § 2.119.

* * * * *

(d) *Time for appeal or civil action.*

(1) The time for filing the notice of appeal to the U.S. Court of Appeals for the Federal Circuit (paragraph (b) of this section), or for commencing a civil action (paragraph (c) of this section), is two months from the date of the

decision of the Trademark Trial and Appeal Board or the Commissioner, as the case may be. If a request for rehearing or reconsideration or modification of the decision is filed within the time specified in §§ 2.127(b), 2.129(c) or 2.144, or within any extension of time granted thereunder, the time for filing an appeal or commencing a civil action shall expire two months after action on the request. In inter partes cases, the time for filing a cross-action or a notice of a cross-appeal expires

(i) 14 days after service of the notice of appeal or the summons and complaint; or

(ii) Two months from the date of the decision of the Trademark Trial and Appeal Board or the Commissioner, whichever is later.

* * * * *

11. Section 2.165(a)(1) is revised to read as follows:

§ 2.165 Reconsideration of affidavit or declaration.

(a)(1) If the affidavit or declaration filed pursuant to § 2.162 is insufficient or defective, the affidavit or declaration will be refused and the registrant will be notified of the reason. Reconsideration of the refusal may be requested within six months from the date of the mailing of the action. The request for reconsideration must state the grounds for the request. A supplemental or substitute affidavit or declaration required by section 8 of the Act of 1946 cannot be considered unless it is filed before the expiration of six years from the date of the registration or from the date of publication under section 12(c) of the Act. The "Certificate of Mailing or Transmission" procedure provided by § 1.8 does not apply to affidavits or declarations or to supplemental or substitute affidavits or declarations filed under section 8(a) or (b) of the Act, but the certificate by "Express Mail" procedure provided by § 1.10 does apply thereto.

* * * * *

PART 10—REPRESENTATION OF OTHERS BEFORE THE PATENT AND TRADEMARK OFFICE

12. The authority citation for 37 CFR part 10 continues to read as follows:

Authority: 5 U.S.C. 500; 15 U.S.C. 1123; 35 U.S.C. 6, 31, 32, 41.

13. Section 10.18 is revised to read as follows:

§ 10.18 Signature and certificate of practitioner.

(a) Except where a copy, including a photocopy or facsimile transmission, of

a personally signed piece of correspondence is permitted to be filed pursuant to § 1.4 of this chapter, every piece of correspondence filed by a practitioner on behalf of himself or herself or representing an applicant or a party to a proceeding in the Patent and Trademark Office must bear an original signature personally signed in permanent ink by such practitioner except for correspondence which is required to be signed by the applicant or party. The signature of a practitioner on correspondence filed by the practitioner, regardless of whether the correspondence has an original signature or is a copy, including a photocopy or facsimile transmission, of correspondence bearing an original signature, constitutes a certificate that:

- (1) The correspondence has been read by the practitioner;
- (2) The filing of the correspondence is authorized;
- (3) To the best of practitioner's knowledge, information, and belief, there is good ground to support the correspondence, including any allegations of improper conduct contained or alleged therein; and
- (4) The correspondence is not interposed for delay.

(b) Any practitioner knowingly violating the provisions of this section is subject to disciplinary action. See § 10.23(c)(15).

14. Section 10.23, paragraph (c)(9), is revised to read as follows:

§ 10.23 Misconduct.

* * * * *

- (c) * * *
- (9) Knowingly misusing a "Certificate of Mailing or Transmission" under § 1.8 of this chapter or a certificate of "Express Mail" under § 1.10 of this chapter.

* * * * *

Dated: October 15, 1993.

Bruce A. Lehman,

Assistant Secretary of Commerce and
Commissioner of Patents and Trademarks.

[FR Doc. 93-25864 Filed 10-21-93; 8:45 am]

BILLING CODE 3510-16-M

37 CFR Parts 1, 5, and 10

[Docket No. 920779-3226]

RIN 0651-AA34

Miscellaneous Changes In Patent Practice

AGENCY: Patent and Trademark Office, Commerce.

ACTION: Final rule.

SUMMARY: The Patent and Trademark Office (Office) is amending the rules of

practice in patent cases to: Expand the authority to sign a terminal disclaimer in a patent application or a disclaimer in a patent; eliminate some formal requirements for an appeal brief for an appellant appearing without counsel; prohibit fee extensions of time to file reply briefs and requests for oral hearing; clarify the requirements for claiming foreign priority; specify the manner in which the fee deficiency is computed when applicants seek to correct an error in claiming small entity status; and correct errors in published regulations.

EFFECTIVE DATE: June 3, 1994. The time periods and extension of time provisions of §§ 1.193 and 1.194 for filing reply briefs and requests for oral hearing will be applicable where the examiner's answer was mailed on or after the effective date.

FOR FURTHER INFORMATION CONTACT: Abraham Hershkovitz by telephone at (703) 305-9282, or by facsimile transmission at (703) 305-8825, or by mail marked to his attention and addressed to: Office of the Assistant Commissioner for Patents, Box DAC, Washington, DC 20231.

SUPPLEMENTARY INFORMATION: In a Notice of Proposed Rulemaking published in the *Federal Register* at 57 FR 43412 (September 21, 1992) and in the Patent and Trademark Office Official Gazette at 1143 Off. Gaz. Pat. Office 33-40 (October 13, 1992), the Office proposed to amend several rules of practice in patent and trademark cases. This rulemaking includes changes in § 1.9(d) which were not part of the proposed rules. The changes in § 1.9(d) were made in order to update the information pertaining to establishing small entity status as a small business. No substantive changes have been made in § 1.9(d). The proposed rule requiring that the specification of a design application describe the nature and intended use of the article being claimed has been withdrawn. Additionally, the proposed rule prohibiting a fee extension of time to file corrected drawings after allowance has been withdrawn.

Written comments were submitted by 13 firms, one association and one individual. An oral hearing was not conducted.

The following includes a discussion of the rules being changed and the reasons for those changes and an analysis of the comments received in response to the notice of proposed rulemaking.

Discussion of Specific Sections To Be Changed or Added

(1) Definitions (Section 1.9)

Section 1.9(d) is amended in order to update the information therein regarding the regulations of the Small Business Administration (SBA). The SBA's rule for defining a small business has been modified. Section 1.9(d) will no longer repeat the SBA rule in its entirety. Rather, § 1.9(d), as adopted, contains a short summary of the SBA definitions. The size limit of 500 employees (including those of its affiliates) for a small business concern has not been changed. Information on size standards for a small business concern may be obtained from the Small Business Administration by calling (202) 205-6618, or by writing to: Small Business Administration, Size Standards Staff, 409 Third Street, SW., Washington, DC 20416.

(2) Copies of Papers (Section 1.13)

Section 1.13(a) is amended to clarify that the paragraph pertains to non-certified copies, and that copies of patents, trademark registrations and other papers within the jurisdiction of the Office, as opposed to being within the jurisdiction of another agency, may be obtained from the Office upon payment of the fee therefor.

Section 1.13(b) is amended to clarify that certified copies of the above items may be obtained from the Office upon payment of the fee for a certified copy.

(3) Patent Applications Preserved in Secrecy (Section 1.14)

Section 1.14(b) is amended to correct a typographical error in that the second and third sentences of this section were inadvertently deleted during an earlier revision of this section. See 50 FR 9378 (March 7, 1985) and 1053 Off. Gaz. Pat. Office 10-26 (April 2, 1985). Section 1.14(b) is amended by restoring the deleted sentences and by changing, in the first sentence, the plural "applicants" to the singular "applicant".

(4) Effect on Fees of Failure To Establish Status, or Change Status, as a Small Entity (Section 1.28)

Section 1.28(c) is amended to reflect Office practice in calculating fee deficiencies when fees have been improperly paid as a small entity. The Office receives deficiency payments that differ based on varying interpretations of § 1.28(c). Some simply double the small entity fee in effect when the fee was originally paid in error in the small entity amount, while others compute the difference between the fee already