So if you vote for H.R. 1, you are cutting student aid. If you vote for H.R. 1, you are going to slash job training programs. The House bill that came over, H.R. 1, completely eliminates Federal funding for adult training, dislocated worker assistance and youth training programs in all 50 states. These programs provide job training and reemployment services to about 8 million Americans every year, 8 million. They just do away with it.

If you vote for H.R. 1, you are voting to slash the community services block grant. Well, they cut about $305 million from that. That provides services to some of our lowest income people and elderly. If you vote for H.R. 1, you are voting to cut investments in infrastructure, highway funding, sewer and drinking water funds, and rural economic development funding because H.R. 1 slashes community development block grants by 62 percent.

Now, I say go out and talk to your mayor or city council, talk to your boards of supervisors in your counties. Ask them if they can take a 62-percent cut in their community development block grants and what it is going to mean to them.

We are here but also speak to my own constituents in Iowa about what this means for my own State. If H.R. 1, the House bill which passed the House, if it were to be passed and enacted into law—well, I mentioned about how we are having the Job Corps. It would basically kill the Denison, IA, Job Corps Center, which employs 133 people. It provides training to 450 at-risk students each year, and we have a new Job Corps Center just being built, just being opened in Ottumwa. That will probably just come to a screeching halt. It is supposed to be opening later this year.

It would shut down at least the community health center in Centerville, IA. The H.R. 1 would be cutting down the community services block grant and would shut down the Red Rock Community Action Agency serving Boone, Jasper, Warren, Marion, and rural Polk County.

H.R. 1, as I mentioned, would completely eliminate funding for job training programs, which assisted more than 35,000 Iowans in the last year. As I mentioned, it would slash Pell grants for our kids who go to all of our colleges in Iowa, the private not-for-profit institutions. Two thousand low-income Iowa kids who now attend Head Start would be cut off.

Lastly, it is not only just the cuts and the slashes to these vital programs which will increase unemployment and send us back into another recession, there are riders in this bill, what we call legislative riders, that are pernicious, They do terrible damage to our country.

For example—just one—there is a rider in the bill that says no money can be used or spent to continue the implementation of the health reform bill that we passed last year. Well, what does that mean? Well, that means right now, in law, because of the Affordable Care Act we passed last year, kids can stay on their parents’ policy until they are age 26. That would be gone. The question would be, the ones who are on this, will they be able to stay on? But I can tell you, no new kids would ever be allowed to stay on their parents’ policy until they are age 26.

We put in—and as you know, it is in law right now—that an insurance company cannot impose a lifetime limit on individuals. That was in the bill last year. That would be gone. They can start reinstituting lifetime limits and annual limits.

Also we had a provision in the bill that provided for a medical loss provision. Let me try to explain that.

In our bill we said insurers and health insurance companies have to pay at least 80 cents of every dollar of premium to provide health care rather than profits, bonuses, overhead, fancy buildings, and corporate jets and all of that. They had to pay—80 cents of every premium dollar has to go for health care. It is done away with under H.R. 1. We wrote that at all.

So, again, for those who have seen benefits to themselves from the health care bill we passed, whether it is keeping their kids on their policy or elderly people now who get free mammograms and there are already health checkups every year with no copays, no deductibles, that ends. That ends under H.R. 1.

So the bill passed by the House is just, as I said, bad policy, and it is bad policy. It is not the values of our country, and I hope the Senate will respondingly—resoundingly—defeat H.R. 1, consign it to the scrap heap of history, the history of ill-advised ideas, of ill-advised programs. There have been a lot of them that have come along in the history of this country.

Fortunately, I think the Congress in most instances has turned them down, and we moved ahead. We can’t afford to go backward. H.R. 1 would do that. It would take this country back. We would lose jobs. It would cut kids out of getting an education, close down Head Start centers. It would widen that gulf between the rich and the poor. We can’t continue to go down that road. We don’t want to wind up in a Third World country where we have a few at the top and everybody at the bottom and nobody in between. The middle class built this country, and we cannot continue to erode the middle class. That is what H.R. 1 would do, erode the middle class and widen the gulf between the rich and poor.

I hope the Senate will recognize H.R. 1 for what it is, a detriment, a body blow to our recovery efforts. I hope the Senate will resoundingly defeat it.

I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The assistant bill clerk proceeded to call the roll.

Mr. LEAHY. Mr. President, since the Senate began this debate on the American Invents Act more than a week ago, I have talked about American ingenuity and innovation. As this debate research institutions, commercialized to closeup that this is legislation that should promote innovation, help create jobs, and help energize the economy as we continue our recovery. This legislation can be a key part of a jobs agenda. We can help unleash innovation to promote American invention, all without adding a penny to the deficit. This is common-sense, bipartisan legislation.

Innovation has been a cornerstone of the American economy from the time that Thomas Jefferson examined the first patent to today. The Founders recognized the importance of promoting innovation. A number were themselves inventors. The Constitution explicitly gives Congress the power to promote the progress of science and useful arts, by securing for limited times to . . . inventors the exclusive right to their respective . . . discoveries.’’ The discoveries made by American inventors and commercialized by American companies, and protected and promoted by American patent laws have made our system the envy of the world. The President has spoken all year about the need to win the future by out innovating our competition. This bill can play a key role in that effort.

Yesterday, I commended Austan Goolsbee, the chair of the President’s Council of Economic Advisers, for his strong presentation this week on the importance of patent reform to help America win the global competition and create jobs. The creation of more than 230,000 jobs in the private sector last month, the creation of 3.5 million new jobs over the last 15 months, and the unemployment rate finally being reduced to 8.9 percent are all signs that the efforts we have made over the last 2 years to stave off the worst recession since the Great Depression are paying off and the economic recovery is taking hold. The almost full percent point drop in the unemployment rate over the last 3 months is the largest decline in unemployment since 1963. Despite interruptions, economic activity in many parts of the country caused by winter weather over the last months and in recent days, despite the extraordinary rise in oil
prices, the Dow Jones industrial average has climbed back to over 12,000 from a low point of 6,500. Passage of the America Invents Act should help bolster our economic recovery and keep us on the right path toward business growth and job creation.

As we begin this debate, I referred back to the President’s State of the Union address and his challenge to the Nation to out-innovate, out-build and out-educate our global competitors. Enacting the America Invents Act will allow our inventors to create new ideas. We need to reform our patent system so that these innovations can more quickly get to market. A modernized patent system—one that puts American entrepreneurs on the same playing field as those throughout the world—is a key to that success. This is an idea that cuts across the political spectrum.

During Senate debate over the last week our bill has been improved by a number of Senators who have contributed. Senators Harkin, Coons, Schumer, Menendez, Pryor, Stabenow, Baucus, Bingham, Coburn and Kirk have all contributed, and I thank them for working with us. Senator Cardin attempted to offer germane amendments, and I regret that these were blocked.

I thank our ranking Republican on the committee and the manager of this measure, Senator Grassley, and his staff, Kolan Davis and Rita Lari, for their work in this effort. I commend Senator Hatch for sticking with it for these many years, and Senator Kyl for helping get this done.

I also extend my personal thanks, as well, to Senator Klobuchar of Minnesota who was active during committee consideration and helped manage this legislation effort in the Senate. She has been outstanding.

The Senate’s action today could not have been accomplished without the work of our staff. I would like to thank in particular the steadfast work of Aaron Cooper of my Judiciary Committee staff. Aaron has spent countless hours in meetings and briefings, with Members, other staff, and interested parties, working to help me ensure that the America Invents Act preserved the meaningful reforms we have been working toward since 2005. I would also like to thank Ed Pagano, my chief of staff, and Bruce Cohen, any who have worked on this issue since the start, as well as Susan Davies who served as my chief Intellectual Property counsel through the formative stages of this legislative effort. Erica Chabot, Curtis LeGeyt and Scott Wilson of my Judiciary Committee staff also deserve thanks for their committed work on this bill.

I also commend the hardworking Senate floor staff, Tim Mitchell and Trish Engle, and Faree Schiappa, and the staff of other Senators, including Tim Molino, Joe Matal, and Matt Sandgren, for their dedicated efforts.

I also thank the many individuals, companies, associations and coalitions that have helped with this effort. This legislation has been supported by both business and labor, including the National Association of Manufacturers, the United Steelworkers, the APLCIO, the Association of American Universities, the American Bar Association, the Association of Public and Land Grant Universities, the Association of American Medical Colleges, the Association of University Technology Managers, the American Council on Education, the Council on Government Relations, PhRMA, BIO, the Intellectual Property Owners Association, the American Intellectual Property Law Association, the coalition for 21st Century Patent Reform, the Association for Competitive Technology, the Coalition for Patent and Trademark Information Dissemination, IBM, General Electric, Eli Lilly and Company, Bose Corporation, Johnson and Johnson, 3M, General Mills, Honeywell, Monsanto, Motorola, Cargill, Inc., Caterpillar, Enventys, Abbott, AstraZeneca, Advanta, Air Liquide, Beckman Coulter, Boston Scientific, BP, Bridgestone America Holdings, Inc., Bristol-Myers Squibb, the California Healthcare Institute, the Colorado BioScience Association, Cummins, The Dow Chemical Company, Eastman Chemical Company, ExxonMobil, Genentech, Glimn, GlaxoSmithKline, the Healthcare Institute of New Jersey, Henkel Corporation, Hoffman-LaRoche, Illinois Tool Works, International Game Technology, Kodak, Medtronic, Merck & Co., Inc., Millennium Pharmaceuticals, Milliken and Company, Northrop Grumman, Novartis, PepsiCo, Inc., Pfizer, Procter & Gamble, SanDisk Corporation, Sangoao Biotechnology, Inc., United Technologies, USG Corporation, the Virginia Biotechnology Association, Weyerhaeuser, the American Institute for CPAs, the American Institute of Certified Public Accountants, Tax Justice Network USA, the New Rules for Global Finance, the American College of Tax Counsel, Consumer Action, the American College of Trust and Estate Counsel, the Partnership for Philanthropic Planning, Global Financial Integrity, the International Association for Registered Financial Consultants, the National Association of Enrolled Agents, USPIRG, the Certified Financial Planner Board of Standards, the American Bar Association, the American Association of Attorney-Certified Public Accountants, the Citizens for Tax Justice, the National Treasury Employees Union, the Independent Community Bankers of America, numerous organizations and companies representing all sectors of the patent community that have been urging action on patent reform proposals for years.

The America Invents Act will accomplish all these important goals, which have been at the center of the patent reform debate from the beginning: It will improve and harmonize operations at the
PTO; it will improve the quality of patents that are issued; and it will provide more certainty in litigation. In particular, the legislation will move this Nation’s patent system to a first-inventor-to-file system, make important quality enhancement mechanisms, and provide the PTO with the resources it needs to work through its backlog by providing it with fee setting authority, subject to oversight. The America Invents Act provides the tools the PTO needs to separate the inventive wheat from the chaff, which will help businesses bring new products to market and create jobs.

Innovation has always been at the heart of America and American success. From the founding of our Nation, we recognized the importance of promoting and protecting innovation, and so the Constitution explicitly grants Congress the power to “promote the progress and science and useful arts, by securing for limited times to . . . inventors the exclusive right to their respective . . . discoveries.” The patent system plays a key role in encouraging innovation and bringing new products to market. The discoveries made by American inventors and research institutions, commercialized by our companies, and protected and promoted by our patent laws have made our system the envy of the world.

High quality patents are the key to our economic growth. They benefit both patent owners and users who can be more confident in the validity of issued patents. Patents of low quality and dubious validity, by contrast, enable patent trolls who extort unreasonable licensing fees from legitimate businesses, and constitute a drag on innovation. Too many dubious patents also unjustly cast doubt on truly high quality patents.

After 6 years of debate and discussion, more than a dozen hearings and markups, and countless hours of member and staff meetings with two presidential administrations and interested parties across the spectrum, the Senate is finally acting to make the first meaningful, comprehensive reforms to the nation’s patent system in nearly 60 years. The Senate debate has now extended for more than a week. Passage of the America Invents Act demonstrates what we can accomplish when we cast aside partisan rhetoric, and focus on working together for the future, for our consumers. Working together, we can smooth the path for more interesting—and great—American inventions. That is what this bipartisan, comprehensive patent reform bill will do. No one claims that ours is the perfect or the perfect compromise that will make key improvements in the patent system. Having coordinated with the leaders in the House through this process, I hope that the House will look favorably on our work and adopt this measure and send it to the President without delay and its improvements can take effect in order to encourage American innovation and promote American invention.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant bill clerk proceeded to call the roll.

Mr. REID. I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID, Mr. President, I ask unanimous consent that the Reid amendment No. 152 be withdrawn; that the Reid amendment No. 143 be modified with the changes at the desk; the Senate proceed to vote on the amendment, as modified, with no amendments in order prior to the vote; that there then be 20 minutes of debate equally divided between the two managers or their designees; that S. 23 be read a third time; that a budgetary pay-go statement be read; the Senate then proceed to a vote on passage of the bill, as amended; and the motions to reconsider be considered made and laid upon the table with no intervening action or debate.

Further, I seek unanimous consent that at 12 noon Wednesday, March 9, the Senate proceed to the consideration of Calendar No. 14, H.R. 1, the Defense appropriations long-term continuing resolution for fiscal year 2011; that there be 3 hours of debate on H.R. 1. On the amendment, the Inouye substitute amendment No. 149, with the time equally divided between the two leaders or their designees prior to a vote on passage of H.R. 1: that the vote on passage be subject to a 60-vote threshold; that if the bill achieves 60 affirmative votes, the bill be read a third time and passed; that if the bill does not achieve 60 affirmative votes, the majority leader be recognized to offer the Inouye substitute amendment No. 149, which is what we need to do.

I suggest the absence of a quorum.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID, Mr. President, with this agreement, I ask unanimous consent that the cloture vote with respect to the motion to proceed to H.R. 1 be viti- ated.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. REID, Mr. President, even though there have been a few turns in the road, we are at the place where we need to be. We need to be able to show the American people where we are on these two measures. I expect my appr -priation bill from the Committee chairman leader. As I said, things don’t always work smoothly around here, but they usually work. Now we are at a point where we can vote on these two measures which is what we need to do.

The PRESIDING OFFICER. Under the previous order, amendment No. 152 is withdrawn.

Under the previous order, amendment No. 143 is modified, as follows:

(Purpose: To include public institutions of higher education in the definition of a micro entity)

On page 93, before line 18, insert the following:

“(d) STATE INSTITUTIONS OF HIGHER EDUCATION—

“(1) IN GENERAL.—For purposes of this section, a micro entity shall include an applicant who certifies that—

“(A) the applicant’s employer, from which the applicant obtains the majority of the applicant’s income, is a State public institution of higher education, as defined in section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002); or

“(B) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the particular application to such State public institution.

DEFINITION OF micro ENTITY.—The Director may, in the Director’s discretion, impose income limits, annual filing limits, or other limits on who may qualify as a micro entity pursuant to this subsection if the Director determines that such additional limits are reasonably necessary to avoid an undue impact on other patent applicants or owners or are otherwise reasonably necessary and appropriate. At least 3 months before any limit proposed to be imposed pursuant to this paragraph shall take effect, the Director shall inform the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate of any such proposed limits.’’

The PRESIDING OFFICER. The question is on agreeing to amendment No. 143, as modified.

The amendment (No. 143), as modified, was agreed to.

Mr. COBURN. I wish to express my opposition to Reid amendment No. 143, as modified. I do not believe public institutions of higher education should be included in the definition of micro entity in the underlying legislation. Had a rollover vote occurred, I would have voted no.
Mr. LEAHY. Mr. President, I suggest the absence of a quorum, with unanimous consent that the time be equally divided.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The assistant bill clerk proceeded to call the roll.

Mr. LEAHY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.


cHECK 21 ACT PATENTS

Mr. PRYOR. I would like to clarify some concerns I have about the Schumer-Kyl program that was included in the managers’ amendment to the America Invents Act, adopted on March 1. I am specifically concerned that this provision revives an amendment that had been included in previous versions of the bill—that amendment specifically targeted patents related to the Check 21 Act and eliminated the ability of the holder of such patents to collect damages. Is that the purpose of the Schumer-Kyl language?

Mr. LEAHY. No, the amendment is entirely different from the 2008 amendment related to patents that place an excise tax on implementation of the Check 21 Act. The Schumer-Kyl program addresses certain business method patents and does not target any specific patents. The Schumer-Kyl program is intended to provide a cost-effective alternative to litigation to examine business-method patents.

Mr. PRYOR. Am I correct then that the Schumer-Kyl program is simply trying to address the problem of business method patents of dubious validity that are commonly associated with the Federal Circuit’s 1998 decision in State Street Bank v. Signature?

Mr. LEAHY. That is correct. It is still unclear whether the subject matter of the patents qualified as patentable subject matter under current law. Patents of low quality and dubious validity, as you know, are a drag on innovation because they grant a monopoly right for an invention that should not be entitled to one under the patent law.

Mr. PRYOR. Can the Senator describe how the program would work in practice?

Mr. LEAHY. Certainly. If a petition is filed and the PTO determines that the patent is on a covered business method patent then the PTO would institute a reexamination proceeding. In this review, the PTO could consider any challenge that could be heard in district court.

Mr. PRYOR. Is it correct then that the Schumers proceeding would only have an effect if the PTO determines it is more likely than not that a claim of the patent is invalid and, even then, the proceeding would have no effect on a patent unless the petitioner can demonstrate that under current law the patent is not valid?

Mr. LEAHY. That is correct. The proceeding has a higher threshold than current reexamination before the PTO will even undertake a review of the patent. So as a practical matter, a patent without any serious challenge to its validity would never be subject to a proceeding.

Mr. PRYOR. Would the Senator agree that in a case in which the validity of the patent has been upheld by a district court but the case remains on appeal, that this amendment would likely not affect the pending appeal?

Mr. LEAHY. I would. The patent may still be subject to the proceeding, but since the court did not hold the patent invalid or unforceable, it would not likely have an effect on the pending appeal.

Mr. SCHUMER. Mr. President, I want to take the opportunity to explain further a few elements of the Schumer-Kyl provision in the patent bill. The Transition Program for Business Method patents addresses a critical problem in the patent world, and it is crucial that it be administered and implemented appropriately by both the Patent and Trademark Office and the courts.

Business method patents are the bane of the patent world. The business method problem began in 1998 with the U.S. Court of Appeals for the Federal Circuit’s decisions in State Street Bank & Trust Co. v. Signature Financial Group and the U.S. Court of Appeals for the Federal Circuit’s 1998 decision in State Street that are not in fact valid. The transition program created by the Schumer-Kyl bill is intended to provide a cheaper, faster alternative to district court litigation. To that end, the program authorizes a temporary administrative proceeding in the Patent Office and has not been patentable in countries other than the United States. In order to reduce the burden placed on the economy by this backlogs of patent litigation, the Supreme Court has begun to address the issue of how a district court should treat a motion for a stay of litigation in the event the PTO initiates a pilot program. The Court articulated a new standard for obviousness and made clear that abstract business-method patents are not patentable. While this legal development is important, it is crucial that it be administered and implemented appropriately by both the Patent and Trademark Office and the courts.

Litigation over invalid patents places a substantial burden on U.S. courts and the U.S. business-method inventions generally are not and have not been patentable in countries other than the United States. In order to reduce the burden placed on courts and the economy by this backlogs of patent litigation, the Supreme Court has begun to address the issue of how a district court should treat a motion for a stay of litigation in the event the PTO initiates a pilot program. The Court articulated a new standard for obviousness and made clear that abstract business-method patents are not patentable. While this legal development is important, it is crucial that it be administered and implemented appropriately by both the Patent and Trademark Office and the courts.

The transition program created by the Schumer-Kyl amendment is designed to provide a cheaper, faster alternative to district court litigation over the validity of business-method patents. This program should be used instead of, rather than in addition to, district court litigation. The amendment expressly authorizes a stay of litigation in relation to such proceedings and places a very heavy thumb on the scale in favor of a stay being granted. It is congressional intent that a stay should only be denied in extremely rare, judicially precluded cases where the burden falls on private individuals and an expensive court process to clean up the mess.

The ability to easily obtain business method patents without rigorous and thorough review in the Patent Office has created a flood of poor quality business method patents and a cottage industry of business method patent litigation. The Federal courts have recognized this problem, and indeed even the Supreme Court has begun to address it. In KSR Int’l Co. v. Teleflex, Inc. and Bilski v. Kappos, the Court articulated a new standard for obviousness and made clear that abstract business-method patents are not patentable. While this legal development is important, the leave in limbo the many patents that were issued by the PTO since State Street that are not in fact valid. Litigation over invalid patents places a substantial burden on U.S. courts and the U.S. business-method inventions generally are not and have not been patentable in countries other than the United States. In order to reduce the burden placed on courts and the economy by this backlogs of patent litigation, the Supreme Court has begun to address the issue of how a district court should treat a motion for a stay of litigation in the event the PTO initiates a pilot program. The Court articulated a new standard for obviousness and made clear that abstract business-method patents are not patentable. While this legal development is important, it is crucial that it be administered and implemented appropriately by both the Patent and Trademark Office and the courts.

The transition program created by the Schumer-Kyl amendment is designed to provide a cheaper, faster alternative to district court litigation over the validity of business-method patents. This program should be used instead of, rather than in addition to, district court litigation. The amendment expressly authorizes a stay of litigation in relation to such proceedings and places a very heavy thumb on the scale in favor of a stay being granted. It is congressional intent that a stay should only be denied in extremely rare, judicially precluded cases where the burden falls on private individuals and an expensive court process to clean up the mess.

When Congress initially created ex parte reexamination, it did not expressly provide for a stay of litigation pending the outcome of an ex parte reexamination proceeding. Rather, Congress relied on the courts’ inherent power to grant stays and encouraged courts to liberally grant stays. However, relying on the courts’ inherent power to grant stays and encouraged courts to liberally grant stays.
power to grant stays did not result in courts liberally granting stays. For example, one commentator who surveyed the grant rates on motions for stay pending reexamination, Matthew A. Smith, found that numerous district courts granted stays less than half the time. In fact, Eastern District of Texas grants stays only 20 percent of the time. Due to low grant rates for stays in several jurisdictions, this amendment instructs courts to apply the four-factor test first used in In re Broadcast Innovation, L.L.C. v. Charter Communications when evaluating stay motions when stay is sought.

The amendment employs the Broadcast Innovation test, rather than other multifactor tests employed by other district courts, because this test properly emphasizes a fourth factor that is often ignored by the courts: "whether a stay will reduce the burden of litigation on the parties and on the court." Too many district courts have been content to allow litigation to grind on while a reexamination is being conducted, forcing the parties to fight in two fora at the same time. This is unacceptable, and would be contrary to the fundamental purpose of the Schu- mor-Kyl amendment to provide a cost-efficient alternative to litigation.

Absent some exceptional circumstance, the institution of a business-methods proceeding—which requires a high up-front showing and will be completed in a relatively short period of time—should serve as a substitute for litigation, and result in a stay of co-pending district court litigation.

By adopting this four-factor test, rather than one of the three-factor tests used by other courts, the amendment also precludes the use of additional factors that are not codified here and that have occasionally been used by some district courts. For example, a few courts have occasionally employed a different de facto fourth factor: whether the challenger offers "to forgo invalidity arguments based on prior art patents and/or printed publications considered during an ex parte reexamination process." The proceeding authorized by this amendment, at subsection (b)(1)(D), sets its own standard for determining what factors may still be raised in civil litigation if a patent survives PTO review. By codifying the limited set of factors that courts are to consider when granting stays, the amendment precludes courts from inventing new factors such as extra-statutory estoppel tests.

Several unique features of this proceeding further make it appropriate to grant stays in all but the most unusual and rare circumstances. These proceedings will only be instituted upon a high up-front showing of likely invalidity. The proceeding is limited to certain business method patents, which, as noted above, are generally of dubious quality because unlike other types of patents, they have not been thoroughly reviewed at the PTO due to a lack of the best prior art. And the proceeding will typically be completed within 1 year.

In summary, it is expected that, if a proceeding against a business method patent is instituted, the district court would institute stay of litigation unless there were an extraordinary and extremely rare set of circumstances not contemplated in any of the existing case law related to stays pending reexamination. In the rare instance that a stay is sought, the challenger should make every effort to complete its review expeditiously. We encourage the PTO Director to promulgate regulations to this effect to ensure that petitioners know that in extreme circumstance where a stay is granted, the PTO will complete its review in a compressed timeframe, such as within 6 months.

To ensure consistent and rigorous application of the Broadcast Innovation standard, the amendment also allows the Federal Circuit to close review. If the Federal Circuit closely review the application of this test in a manner that ensures adherence to these precedents and consistent results across cases. As such, either party may file an interlocutory appeal directly to the Federal Circuit. Because this amendment provides an automatic right to an interlocutory appeal, the district court does not need to certify the appeal in writing, as it would ordinarily need to do under the discretion typically afforded an ap- pellate court under 28 U.S.C. §1292(b), under this amendment the Federal Cir- cuit may not decline to hear an interlocutory appeal.

Since the denial of a stay pending post-grant review under this amendment is an extraordinary and extremely rare circumstance, the filing of an interlocutory appeal should result in the stay of proceedings in the district court. Staying the lower court proceedings while the Federal Circuit reviews the question of whether the case should be stayed pending the post-grant review will help ensure that requests to stay are consistently applied across cases and across the various district courts.

On appeal the Federal Circuit can and should review the district court's decision de novo. It is expected that the Federal Circuit will review the dis- trict court's decision regarding a stay de novo, unless there are unique circum- stances militating against a de novo review, such as subsequent re- quests for an interlocutory appeal in the same case. A de novo review is cen- tral to the purpose of the interlocutory appeal provision in the Schumer-Kyl amendment, which is to ensure con- sistent application of standards and precedents across the country and to avoid one particular court with a fa- vorable bench becoming the preferred venue of business method patent plaintiffs.

The definition of covered business method patents in the transitional pro- gram was developed in close consultation with the PTO to capture all of the worst offenders in the field of business method patents, including those that are creatively drafted to appear to be technological innovations in a new way to perform a business process. In other words, a patent is not a technological invention because it combines known technology in a new way to perform data processing operations.

The amendment covers not only fi- nancial products and services, but also the "practice, administration and man-agement" of a financial product or service. This language is intended to
make clear that the scope of patents eligible for review under this program is not limited to patents covering a specific financial product or service. In addition to patents covering a financial product or service, the "practice, administration, management, or organization language" is intended to cover any ancillary activities related to a financial product or service, including, without limitation, marketing, customer interfaces, Web site management and functionality, transmission or management of data, servicing, underwriting, customer communications, and back office operations—e.g., payment processing, stock clearing.

The amendment also requires a patent to relate to a "financial product or service." To meet this requirement, the patent need not recite a specific financial product or service. Rather, the patent claims must only be broad enough to claim the financial product or service. For example, if a patent claims a general online marketing method but does not specifically mention the marketing of a financial product, such as a savings account, if that marketing method could be applied to marketing a financial product or service, the patent would be deemed to cover a "financial product or service." Likewise, if a patent holder alleges that a financial product or service infringes its patent, that patent shall be deemed to cover a "financial product or service" for purposes of this amendment regardless of whether the asserted claims specifically reference the type of product or service accused of infringing.

In conclusion, I am very pleased that the Senate has adopted the Schumer-Kyl provision and trust that it will go a long way towards addressing the havoc that frivolous business method patent litigation has wreaked upon the courts and the economy. Indeed, Senator Kyl and I received a letter of thanks and appreciation from the Independent Community Bankers of America, who represent nearly 5,000 community banks. The United States, alone among advanced economies, currently operates under a "First Inventor to File" patent regime consistent with other industrialized countries; PTO fee setting authority to ensure proper funding for its operations.

The Act makes a variety of changes to improve the quality of patents, including allowing for greater submission of information by third parties while a patent application is pending and establishing a post-grant review procedure for promptly raised challenges to a patent.

Unlike prior patent reform bills, the Act does not disturb substantive damages law; but it does take steps to improve the consistency and predictability of the application of that law.

Innovation is a key facet of American economic power, as our Founders recognized in the Constitution by giving Congress the power to "promote the progress of science and useful arts" by granting inventors time limited monopolies—patents—on their discoveries. This basic framework set the course for centuries of American innovation, but the law has not been substantially updated since the Patent Act of 1952. Responding to concerns about the quality and timeliness of patents issued by the PTO, the last several Congresses have considered substantial patent reform measures. [In the 109th Congress Senators John Ensign and Tom Coburn introduced the Patent Reform Act of 2005 (S. 880). The next year, Senators Leahy and Hatch introduced the Patent Reform Act of 2006 (S. 3349). The following year, Senators Schumers and Kyl introduced the Patent Reform Act of 2007 (S. 23). This bill was reported from the Judiciary Committee, as amended, on January 28, 2008, with a Committee Report (S. Rep. 110–110). In 2009, Senator Leahy and Senator Kyl introduced the Patent Reform Act of 2009, which was reported with amendments on April 2, 2009, with a Committee Report (S. Rep. 111–9). Again the bill was not considered by the full Senate. During this time, the Senate Judiciary Committee has held eight hearings on patent reform, and the House has held hearings on the subject as well.]

Over the course of these Congresses the substance of the reform proposals evolved. On January 25, 2011, Senator Leahy and Senator Hatch introduced the current bill, the Patent Reform Act of 2011 (S. 23), which was reported with amendments on February 5, 2011. Significant features of the legislation include: a transition to a "First Inventor to File" patent regime consistent with other industrialized countries; PTO fee setting authority to ensure proper funding for its operations.
adopt a First Inventor to File system. Section 8. 23 moves the United States to a First Inventor to File regime. As part of that, it creates an administrative proceeding to ensure that the first person to file actually the true inventor. It also preserves and strengthens current law’s grace period, by providing that disclosures made by the true inventor, or someone who gains information from the inventor, less than one year before the application is filed will not be held against their application. Additionally, during the one-year period before the application is filed, if the inventor publicly discloses his invention, no subsequently-disclosed “prior art,” regardless of whether it is derived from the inventor, can be used to invalidate the patent. Prior art is a term of art in intellectual property law. Section 23 defines “prior art” as actions by the patent owner or another (such as publication, public use, or sale) that make the invention available to the public. This effectively creates a “first to publish” rule within the one year grace period. An inventor who publishes his invention retains an absolute right to priority if he files an application within one year of his disclosure. No application effectively filed after his disclosure, and no prior art disclosed by his disclosure, can defeat his patent application.

Section 3. Inventor’s Oath or Declaration

U.S. patent law requires oaths or declarations as part of the application process. This can be challenging when applications are pursued by company-assignees for whom a variety of past and present employees may have played a role in developing the invention. This section makes it easier for assignees to file and prosecute a patent application where the inventor is unable to do so, thus facilitating and contracting obligations.

Section 4. Damages

The current damage statute is vague, and juries must evaluate up to 15 factors developed by the courts. This has led to inconsistent and unpredictable damage awards. Section 4 does not upset the existing substantive law, but it makes certain changes to increase predictability in damages in authorizing courts to play a gatekeeper role, in which they will provide detailed instructions to juries on what factors are most relevant to the case before the jury.

Section 5. Post-Grant Review

This section establishes a new administrative procedure for challenging the validity of granted patents within a nine-month post-grant review, providing an early opportunity to improve the quality of patents. The bill also changes procedures for later challenges by third parties to the validity of patents (the so-called “inter partes reexamination” process, under current law). These reforms add additional procedural protections to the process by converting the reexamination process into an adjudicative proceeding to be known as “inter partes review.” Inter partes review must be completed within one year of being instituted (though this deadline or it is six months for good cause). The proceedings will take place before a panel of three administrative judges whose decisions are appealable directly to the Federal Circuit.

Section 6. Patent Trial and Appeal Board

This section renames the Patent Board the “Patent Trial and Appeal Board” and clarifies its role in administering the new procedures established by the Act.

Section 7. Pre-Issuance Submissions by Third Parties

Current law restricts what third parties can file with the PTO when they possess relevant information on pending patent applications. This section would permit third parties, typically another innovator in the same or a similar field, to submit relevant information and statements explaining their submissions.

Section 8. Venue

Codifies the standard for transfers of venue established by the Federal Circuit in the case In re TS Tech USA Corp and applies it to patent cases generally. That standard provides for transfer to the judicial district that is “clearly more convenient” for both the parties and witnesses. The section also clarifies that venue for litigation against the PTO is the Eastern District of Virginia, where the PTO is headquartered rather than the District of Columbia, where it used to be based.

Section 9. Fee Setting Authority

In order to provide sufficient funding to the PTO’s operations, this section grants the fee setting authority, to set or adjust the fees it charges applicants.

Section 10. Supplemental Examination

This provision authorizes a supplemental examination process by which patent holders can correct errors or omissions in past proceedings with the PTO. During the process, additional information can be presented to the office and can be employed when reexamining the original patent determination, the earlier omission of that information cannot be later used in a lawsuit alleging inequitable conduct.

Section 11. Residency Requirement for Federal Circuit Judges

Under current law, the PTO charges small businesses and nonprofits lower fees than charges large corporations. This section establishes an even smaller category—truly independent inventors—for which the PTO may make additional accommodations.

Section 12. Micro-Entity Defined

This section changes the formula for what universities, nonprofits, and others may do with royalties or other income generated by inventions developed using federal funds. Under current law, if such royalties exceed the annual budget of the entity, 75 percent of the excess is returned to the government. In order to encourage innovation and commercialization, this section allows the entity to retain up to 85 percent of that excess for further research. The remainder would be paid to the government.

Section 13. Funding Agreements

This section changes the formula for what universities, nonprofits, and others may do with royalties or other income generated by inventions developed using federal funds. Under current law, if such royalties exceed the annual budget of the entity, 75 percent of the excess is returned to the government. In order to encourage innovation and commercialization, this section allows the entity to retain up to 85 percent of that excess for further research. The remainder would be paid to the government.

Section 14. Tax Strategies Deemed within Prior Art

This section ends the patentability of tax strategies. The bill, as reported, does not change the patentability of other forms of business method patents.

Section 15. Best Mode Requirement

As part of a patent application, an applicant must disclose the “best mode” for carrying out his or her invention. In subsequent litigation an accused infringer can offer as a defense that the best mode was not properly disclosed by the patent holder. This section eliminates that defense, which many consider subjective and possibly irrelevant, as the best mode may change over time. Best mode disclosure remains a requirement for patentability.

Section 16. Technical Amendments

This section contains technical amendments to reorganize the patent statute.
with great specificity the sources of author- 
ity to impose patent and trademark user 
fees, in order to avoid a violation of the 
Origination Clause. 
A new provision requiring the Director to 
charge reduced fees to small entities for use 
of accelerated examination. 
Lamark added, making clear that the 
repeal of the Baldwin rule (which rule re- 
quires Federal Circuit judges to live within 
30 miles of Washington, D.C.) shall not be 
construed to require the AOC to provide 
judges office space or staff outside of D.C. 
A PTO-approved broadening of the defini- 
tion of “microentity,” a status that entities 
apply for to reduce fees. 
In the tax patents section, language is added: (1) clarifying that the language does not 
bar tax software that is novel as software—i.e., where the innovation is in the software) (this may be dropped); and (2) establishing that making tax strategies 
unpatentable shall not be construed to imply 
that other business methods are patentable 
or valid. In Bilinski v. Kappos, (2010), the 
Supreme Court interpreted Congress’s 1999 en- 
actment of a prior-user right that only ap- 
plied against business-method patents as im- 
plying that business methods qualify as pat- 
etable subject matter under section 101, 
which includes §103.
Language is added to the part of the 
Holmes Group fix allowing removal of patent 
cases from state to federal court to clarify 
that owner of the new jurisdiction is not re- 
sponsible for such cases. Derivative jurisdiction is the doctrine that, even if a federal 
district court would have had original jurisdiction over an action in the state, the district court 
can only have jurisdiction if the state court from 
which the action is removed properly had ju- 
risdiction. (In other words, the federal 
court may decide the action is not a deriva- 
tive of the state court’s jurisdiction.) This 
alky form-over-substance doctrine was 
abrogated by Congress, but some courts have 
continued to read it into other parts of the 
law, and thus it was thought best to also 
make clear here that derivative jurisdiction 
is not required.
The Schumer-Kyl business-methods pro- 
ceeding, as modified to accommodate indus- 
try concerns and PTO needs. In its 1998 State 
Street decision, the Federal Circuit greatly 
broadened the patenting of business method- 
s. Recent court decisions, culminating in 
last year’s Supreme Court decision in Bilinski v. Kappos, (2010), pulled back the 
patenting of business methods, emphasizing 
that these “inventions” are too abstract to be 
patentable. In the intervening years, how- 
ever, I was unable to issue a large number of 
business-method patents, many or possibly 
all of which are no longer valid. The 
Schumer-Kyl proceeding offers a relatively cheap 
alternative to civil litigation for challenging 
these patents, and will reduce the burden on 
the courts of dealing with the backwash of 
invalid business-method patents. The pro- 
cedure is designed such that: (1) only defendants or accused infrig- 
ers may invoke the proceeding; (2) prior art is limited to old 102(a), which must be 
publicly available; (3) the prior art of old 102(b) (not in the state court’s publicly-available prior-art scope); (3) the proceeding may not be used to challenge a 
patent while it is eligible for a PGR chal- 
gen at the PTO; (4) the proceeding is available only for four years; (5) district 
courts decide whether to stay litigation 
based on another federal proceeding, or Broadcast, mediation, 
test, and the Federal Circuit reviews 
stay decision on interlocutory appeal to en- 
sure consistent application of established precedent; (5) the definition of business- 
method patent, which tracks the language of 
Class 705, is limited to data processing relat- 
ing to just a product or service (rather than also to an enterprise). 
PTO is given greater flexibility in paying 
and compensating the travel of APJs. A 
large number of APJs will need to be re- 
trained, and retained to adjudicate 
PGR and new IPR. This change’s enhance- 
ments will be paid for out of existing funds. 
A new provision requiring the Director to 
recruit, trained, and retained to adjudicate 
PGR and new IPR. Currently, PTO fees go into a Treasury account and are only available to the Office as provided in 
approritions. In the last two decades, about $800 million in PTO fees has been 
devoted from PTO to other federal spending. 
The Coburn amendment creates a revolving 
endowment, giving PTO direct access to its fees 
without the need for enactment of an appro- 
priations act. 
Budget Committee paygo language is added at the end.

Mr. KOHL. Mr. President, I rise 
today in support of S. 23, the America 
Invents Act. This bipartisan bill is the 
product of a great deal of hard work 
and negotiation, and I congratulate 
Senators LEAHY, HATCH and GRASSLEY 
on their accomplishment. This bill is a 
reasonable compromise that will up- 
date the US Patent system so that American 
businesses can better compete in the 21st Century. 
The American system of patenting 
inventions has helped make our coun- 
try the center of innovation for more 
than two centuries. The America In- 
vents Act will ensure that inventors 
and those who invest in their discov- 
eries are able to rely on their most im- 
portant asset—their patent. Patents 
are vital components in the research 
and development cycle that help 
come up companies and businesses. 
In my home State of Wisconsin, we 
have a strong tradition of invention 
and innovation—from the invention 
of the first practical typewriter in 1869 to 
the University of Wisconsin. And there 
are countless other Wisconsin compa- 
nies that rely on patents to sustain 
and grow their business. 
I am able to support the Patent Re- 
form Act because of the improvements 
made to the bill since it was first intro- 
duced. As is the nature of compromise, 
the bill will not get everything we want, 
I thank Senator LEAHY for making substantial changes to accom- 
modate many of my concerns. 
Specifically, I appreciate your will- 
iness to strike a major section of the 
bill regarding prior user rights—which 
would have done serious harm to the 
University of Wisconsin and its patent 
licensing business. The bill incor- 
porates additional changes that were 
important to research universities, 
including provisions related to venue, 
first to file, oath, and collaborative research. 
Patent protection will be stronger 
with the inclusion of “could have raised” estoppel, strong administrative 
estoppel, and explicit statutory author- 
ity for the Patent and Trademark Off- 
fice, PTO, to reject petitions by third 
parties and order joiner of related par- 
ties. Improvements have also been 
made regarding damages. Finally, I am 
proud that the amendment addresses 
the PTO’s funding needs in a way that 
maintains Congress’ duty to carefully 
oversee the PTO while ensuring that it 
has the resources necessary to issue 
top quality patents in a timely man- 
ner. 
Again, I commend Senator LEAHY for 
his many years of work on this bill, 
and I look forward to the House taking up this legislation. 
Mr. LEVIN. Mr. President, I thank 
my colleagues, Senator LEAHY, who is 
the chairman of the Judiciary Com- 
nitee, and Senator GRASSLEY, who is 
the ranking Republican, for including 
in the Patent Reform Act a provision 
that a number of us have been working 
for several years to stop granting of 
tax strategy patents. 
The key provision contains the text 
of legislation that Senators BAUCUS, 
GRASSLEY and I, as well as others, in- 
roduced earlier this year, S. 139, the 
End Taxpayer Access To Tax Evasion Act, to 
end the troubling practice of persons 
seeking patents for tax-avoidance 
strategies. Issuing such patents per- 
verts the Tax Code by granting what some 
would see as a government imple- 
munity to unfair or 
illegal tax strategies, while at the 
same time penalizing taxpayers seek- 
ing to use legitimate strategies. 
Since 1998, when Federal courts ruled 
that business practices were eligible 
for patent protection, the Patent and 
Trademark Office has issued more than 
130 patents for tax strategies, with 
more than 150 applications pending. 
These patents are a terrible idea for 
two reasons. 
First, they may be providing uninten- 
tended support for abusive tax shelters. Some unscrupulous tax shelter pro- 
moters may claim that the patent rep- 
resents an official government endorse- 
ment of their tax scheme and evidence 
that the scheme would withstand IRS 
challenge. Given the well-documented 
problem we have with tax avoidance in 
this country, allowing persons to pat- 
et tax strategies is not only a waste 
of government resources needed else- 
matur of approval for questionable or 
illegal tax strategies, while at the 
same time penalizing taxpayers seek- 
ing to use legitimate strategies. 
Second, the granting of tax patents 
threatens to penalize taxpayers seek- 
ing to use legal tax strategies to mini- 
mize their tax bills. If a tax practi- 
citioner is the first to discover a legal 
advantage and secures a patent for it, 
that person could then effectively 
charge a toll for all other taxpayers to 
use the same strategy, even though as 
a matter of public policy all persons 
ought to be able to take advantage of the 
law to minimize their taxes. Compa- 
ies could even patent a legal method 
long term to minimize their taxes and then
refuse to license that patent to their competitors in order to prevent them from lowering their operating costs. Tax patents could be used to hinder productivity and competition rather than foster it.

False patent law is supposed to encourage innovation, productivity, and competition by encouraging inventors to innovate, secure in the knowledge that they can profit from their efforts. In that there is already ample incentive for taxpayers to seek legitimate ways of reducing their tax burden, as the wealth of advice and consulting in this area demonstrates. Injecting patents into the mix encourages abusive tax avoidance while raising the cost of legal tax planning at the same time, both to society's detriment.

I introduced the first bill to ban tax patents back in 2007. Since then, Senators on both sides of the aisle have been trying to get this problem fixed. The language in the bill before us today is designed to put a halt to the issuance of patents for tax strategies once and for all, including for the 155 pending applications. Although the bill does not apply on its face to the 130-plus tax patents already granted, if someone tries to enforce one of those patents in court by demanding that a taxpayer provide a fee before using it to reduce their taxes, I hope a court will consider this bill's language and policy determination and refuse to enforce the patent as against public policy.

The tax patent provisions of this bill are significant, but they are not the only reasons to support passage. This legislation will create jobs, help keep our manufacturers competitive and strengthen and expand the ability of our universities to conduct research and turn that research into innovative products and processes that benefit Michigan and our Nation. It also will assist the new satellite Patent and Trade Office that will be established in Detroit by modernizing the patent system and improving efficiency of patent review and the hiring of patent examiners. One objective of the new office in Detroit is to recruit patent examiners to reduce the backlog of patent applications. This legislation is a huge step forward in that effort.

Mr. GRASSLEY. Mr. President, I want to discuss an important component of the patent reform legislation that addresses tax avoidance and vexatious litigation arising from qui tam suits for false patent markings. The bill before the Senate abolishes this qui tam procedure and I would like to discuss why I support doing so, even thought it is a strong opponent of using the qui tam mechanism to protect American taxpayers.

The qui tam provisions of the False Claims Act specifically allow the government to intervene and control litigation by a private party who believes they can profit from their efforts.

In fact, a recent Federal court decision struck down the qui tam provisions of the patent law as unconstitutional because the false patent marking statute does not give the executive branch sufficient control over the litigation to ensure that the President can "take Care that the Laws be faithfully executed."

As I mentioned, False Claims Act is completely different. The Justice Department has the right to intervene, to begin and to proceed to discovery. False Claims Act qui tam allows me to be instrumental in ensuring such controls on frivolous lawsuits were inserted into the False Claims Act and the absence of similar controls in the false patent marking law is problematic.

I would not want anyone watching the patent reform bill to conclude that Congress will weaken or undermine the False Claims Act qui tam statute because we have stricken a flawed qui tam provision in the patent bill. I will vigorously defend this provision and urge my colleagues to do the same.

The False Claims Act is the Federal Government's strongest weapon to protecting the taxpayer dollars from fraud and abuse. It would be a serious mistake to strike this provision in earlier versions of the bill.

The False Claims Act provisions have helped the Federal Government recover over $28 billion since I amended it to add the qui tam provisions in 1986. With the recent amendments to the False Claims Act that I, along with Senator LEAHY, included in the Fraud Enforcement and Recovery Act of 2009, the False Claims Act will continue to serve as the Federal Government's most valuable tool to combat fraud in government programs for decades to come.

Mr. KYL. Mr. President, I rise today to make a few comments about the present bill, which has now been entitled the "America Invents Act." This bill is almost identical to the managers' amendment that was negotiated by Chairman LEAHY and then-Ranking Member Sessions during the last Congress and approved by the Senate. The new paragraph effectively treats the application simply incorporates the rules created by existing code sections. It does not apply on its face to the 130-plus tax patents already granted. Keeping that citation would have created a negative implication that unless such a requirement of section 120 was expressly incorporated into the definition of effective-filing date that the citation would not be satisfied in order to secure the benefit of an earlier effective-filing date.

It should be noted that, for purposes of subparagraph (A) of section 100(1), a patent or application for patent contains a claim to an invention even if the claim to the particular invention was added via an amendment after the application was filed. Of course, such an amendment may not introduce new matter into the application—an amendment that is itself treated as if it were a still-pending application. It bears emphasis that the first paragraph of section 251, which is designated as subsection (a) by this bill, bars the introduction of new matter in an amendment to a patent, which is itself treated as if it were a still-pending application. It bears emphasis that the first paragraph of section 251, which is designated as subsection (a) by this bill, bars the introduction of new matter in an amendment to a patent. The introduction of new matter is not allowed until an amendment is made after the application was filed. Of course, such an amendment may not introduce new matter into the application—it may claim the matter that was disclosed in the application.

Finally, new section 100(1)(2) of title 35 governs the effective date of reissued patents. Consistent with section 251, this new paragraph effectively treats the reissue as an amendment to the patent, which is itself treated as if it were a still-pending application. It bears emphasis that the first paragraph of section 251, which is designated as subsection (a) by this bill, bars the introduction of new matter in an amendment to a patent. The introduction of new matter is not allowed until an amendment is made after the application was filed. Of course, such an amendment may not introduce new matter into the application—it may claim the matter that was disclosed in the application.

Section 2(b) of the bill recodifies section 102 of title 35. In the present bill, this recodification is reorganized by...
consolidating all exceptions to the definition of prior art in section 102(b) — and excluding from subsection (b) provisions that do not define exceptions to prior art, such as the CREATE Act and the definition of the effective date of patents and applications cited as prior art. The change from section 102(a)(1)(B) in earlier versions of the bill is now 102(b)(1)(A), and former paragraphs (3) and (4) of subsection (b) are now subsections (c) and (d), respectively.

Also, the wording of subparagraph (B) of section 102(b)(2), which appeared at the same place in earlier versions of the bill, is changed so that it tracks the wording of subparagraph (B) of subsection (b)(1). These two subparagraphs (B)s are intended to operate in the same way, and their previous differences in wording, although not substantive, tended to create an implication that they were intended to operate in different ways.

Under the first subparagraph (B), at section 102(b)(1)(B), if an inventor publicly discloses his invention, no subsequent disclosure made by anyone, regardless of whether the subsequent discloser obtained the subject matter from the inventor, will constitute prior art against the inventor’s subsequent application for patent in the United States. The parallel provision at section 102(b)(2)(B) applies the same rule to subsequent applications; if the inventor publicly discloses his invention, a subsequently filed application by another party will not constitute prior art against the inventor’s later-filed application for patent in the United States, even if the other filer did not obtain the subject matter from the first-disclosing inventor. And of course, the inventor’s earlier disclosure will constitute prior art that invalidates the other filer’s subsequent application.

In other words, under the regime of the bills, the first disclosing inventor’s disclosure of his invention to the public not only invalidates anyone else’s subsequently filed application, but no one else’s subsequent disclosure or filing of an application during the 1-year grace period will constitute prior art against that inventor’s application. The bill thus effectively creates a “first to publish” rule that guarantees patent rights in the United States to whoever discloses the invention to the public first.

Of course, until the Europeans and the Japanese adopt a more substantial grace period, an inventor’s pre-filing disclosure will prevent patenting in Europe and Japan. An inventor who is concerned about protecting his invention from thefts but who also wants to preserve his rights overseas, can instead file a provisional application in the United States. This inexpensive alternative protects the inventor’s rights both in the United States and abroad.

Another change that this bill makes to chapter 10 is that the CREATE Act, formerly at section 103(c) of title 35, has been moved to section 102(c). The present bill departs from earlier versions of the bill by giving the CREATE Act is own subsection and making several clarifying and technical changes. In particular, the citation at the end of the chapeau is made more specific, and the paragraph (1) that was developed in section 2(a)(1)(B) in earlier versions of the bill is now 102(b)(1)(A), and former paragraphs (3) and (4) of subsection (b) are now subsections (c) and (d), respectively.
A prior-art parent application, however, must be cophonous, have some continuity of disclosure, and be specifically referred to in the patent or published application. The continuous disclosure must be a description of the subject matter that is relied upon as prior art. That description can become narrower in the intervening applications. But so long as there is still some description of the subject matter in the intervening applications, the Office can rely on unpublished application’s fuller description as prior art.

The language of paragraph (2) is somewhat indirect in its imposition of these requirements. They are mostly incorporated through the paragraph’s mandate that the prior-art application be “entitled to claim * * * priority or benefit” under section 120 et al. In section 101(i), which defines the effective-filing date of the patent under review, the patent must be entitled to the priority or benefit itself under the relevant sections. Here again in section 102(d), however, the application need only be entitled to claim the benefit or priority under those sections. This difference in language, which offers an excellent example of why people hate lawyers and the law, highlights the requirement of section 120 et al.—that the application include an enabling disclosure—and the ministerial requirements of that section—that the application be cophonous and specifically referenced. It makes two important changes to the definition of section 120.

Paragraph (2) can be criticized as overly long, requiring repetition of the language. Courts have consistently found that when the words “or otherwise available to the public” are added to clarify the broad scope of relevant prior art, as well as to emphasize the fact that it [i.e., the relevant prior art] must be publicly available.” In other words, as the report notes, “[p]rior art under section 102(b) will be considered filing date of the application and will include all art that publicly exists prior to the filing date, other than disclosures by the inventor within one year of filing.”

The Committee’s understanding of the effect of adding the words “or otherwise available to the public” is confirmed by judicial construction of this phraseology. Courts have consistently found that when the words “or otherwise” or “or other” are used to add a meaning to a modifying clause, the modifier thus added restrains the meaning of the preceding clauses. Strom v. Goldman, Sachs & Co., 202 F.3d 138, 146–47. Second Cir. 1999, states that:

“The position of the phrase in any other equitable relief” in the sentence in which it appears indicates that it modifies one or both of the two specific remedies referred to just before it in the same sentence * * * [T]he use of the words ‘other’ immediately after the reference to back pay and before ‘equitable relief’ demonstrated Congress’ understanding that the back pay remedy is equitable in nature.

Strom construed the phrase “may include * * * back pay, * * * or any other equitable relief.” Universal City Studios, Inc. v. Reimerdes, 111 F. Supp. 2d 294, 325, S.D.N.Y. 2000, holds that:

“The statute makes it unlawful to offer, provide or otherwise traffic in described technology. To ‘traffic’ in something is to engage in dealings in it, conduct that necessarily involves awareness of the nature of the subject of traffic. * * * The phrase ‘or otherwise traffic in’ modifies and gives meaning to the words ‘offer’ and ‘provide.’ In consequence, the anti-trafficking provision is implicated where one presents, holds out or makes a circumvention technology or device available, knowing its nature, for the purpose of allowing others to traffic in.”

Reimerdes construed the phrase “offer to the public, provide, or otherwise traffic in any technology.” Williamson v. Southern Regional Council, Inc., 223 Ga. 179, 184, 154 S.E.2d 21, 25 (Ga. 1967), noted that:

“The words ‘carrying on propaganda’ in this statute must be construed in connection with the words following it, or otherwise attempting to influence legislation. ‘The use of the word ‘otherwise’ indicates that ‘carrying on propaganda’ relates to ‘attempting to influence legislation.’”

Williamson construed the phrase “carrying on propaganda, or otherwise attempting to influence legislation.” In other words, the Committee’s design in adding the 2007 amendment to section 102(a)(1), as expressed in the relevant committee report, is consistent with the unanimous judicial construction of the same turn of phrase. It appears that every court that has considered this question agrees with the committee’s understanding of the meaning of this language.

Moreover, the fact that the clause “or otherwise available to the public” is set off from its preceding clauses by a comma confirms that it applies to both “public use” and “on sale.” Finisar Corp. v. DirecTV, Inc., 538 F.3d 1333, 1336, Fed. Cir. 2008, notes that “when a modifier is set off from a series of antecedents by a comma, the modifier should be read to apply to each of those antecedents.” Thus new section 102(a)(1) imposes a public-availability standard on the definition of all prior art enumerated by the bill—an understanding on which the remainder of the bill is predicated.

Whether an invention has been made available to the public is the same inquiry that is undertaken under existing law to determine whether a document has become publicly available, but is conducted in a more generalized manner to account for disclosures of information that are not in the form of documents.

A document is publicly accessible if it has been disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art, exercising reasonable diligence, can locate it and recognize and comprehend it. Whether a document is the essence of an invention without need of further research or experimentation.

That is a quotation from Cordis Corp. v. Boston Scientific Corp., 561 F.3d 1319, 1333, Fed. Cir. 2009. That decision also states that “[i]n general, accessibility goes to the issue of whether interested members of the relevant public could obtain the information if they wanted to.” See also In re Lister, 583 F.3d 1307, Fed. Cir. 2009.

An important aspect of public availability or accessibility is the doctrine of inherency. “Under the doctrine of inherency, if an element is not expressly disclosed in a prior art reference, the reference will still be deemed to anticipate a subsequent claim if the missing element is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill,” a point noted in Rosco, Inc. v. Nipabu, Ltd., 304 F.3d 1373, 1380, Fed. Cir. 2002. This doctrine applies to products sold to the public as well as published references. Thus once a product is sold on the market, any invention that is inherent to the product becomes publicly available prior art and cannot be patented.

The present bill’s elimination of the patent forfeiture doctrines in favor of a general public availability standard also limits and reconciles the various purposes that previously have been ascribed to section 102’s definition of prior art. Current 102(b), which imposes the forfeiture doctrines, has been described as being “primarily concerned
with the policy that encourages an inventor to enter the patent system promptly;” a quotation from Woodward Trust v. Flowertree Nursery, Inc., 148 F.3d 1368, 1370, Fed. Cir. 1998. And the “overriding concern of the on-sale bar has shifted to ‘an inventor having made his invention available to the public for commercialization cannot attempt to commercialize his invention beyond the statutory term,’” as stated in Netscape Communications Corp. v. Konrad, 295 F.3d 1315, 1323, Fed. Cir. 2002.

By adopting the first-to-file system, however, the present bill already provides ample incentive for an inventor to enter the patent system promptly. There is no need to also require forfeiture of patents simply because the inventor has made some use of the invention that has not made the invention available to the public. And the current on-sale bar imposes penalties not demanded by any legitimate public interest. There is no reason to fear “commercialization” that merely consists of sale or offer for sale, but that does not operate to disclose the invention to the public.

The current forfeiture doctrines have become traps for unwary inventors and impose extreme results to no real purpose. See Netscape Internat., Inc. v. Wildewood Creative Products, Inc., 31 F.3d 1154, 1159–60, Fed. Cir. 1994, for example, an improved kaleidoscope was held to be “in public use” within the meaning of current section 102(b) because the inventor had demonstrated the device to several guests at a party in her own home. And in JumpSport, Inc. v. Jumpking, Inc., 2006 WL 2034498, Fed. Cir. July 21, 2006, the court of appeals affirmed the forfeiture of a patent for a trampoline enclosure on the ground that the enclosure had been in “public use” because neighbors had been allowed to use it in the inventor’s backyard. Obviously, neither of these uses made the inventions accessible to persons interested and skilled in the subject matter. The only effect of rulings like these is to create heavy discovery costs in every patent case, and to punish small inventors who are unaware of the pitfalls of the current definition of prior art.

The present bill’s new section 102(a) precludes extreme results such as these and eliminates the use of the definition of prior art to pursue varied goals such as encouraging prompt filing or limiting prior art to pursue varied goals such as encouraging prompt filing or limiting prior art discovery-intensive searches for secret prior art because they are no small matter. A contrary construction of section 102(a)(1), which allowed private and non-disclosing uses and sales to constitute invalidating prior art, would be fairly disastrous for the U.S. patent system. First, the bill’s new post-grant review, in which any validity challenge can be raised, would be utterly unmanageable if the validity of all patents subject to review under the new system continued to depend on discovery-intensive searches for secret offers for sale and non-disclosing uses by third parties. Only patents issued under the new prior-art rules can be efficiently reviewed under chapter 32.

Second, a general public-availability standard is a necessary accompaniment to this bill’s elimination of geographic restrictions on the definition of prior art. As unwieldy as the current rules are, at least those rules allow only those secret sales and private third-party uses in a foreign country to defeat the United States to constitute prior art. Under the new regime, however, sales and uses occurring overseas will also constitute prior art. A sale or use that discloses an invention to the public is relatively hard to falsify. If the invention truly was made available to the public by sale or use, independent validation of that sale or use should be readily available. By contrast, the existence of a secret offer for sale or non-disclosing third-party use of the invention had occurred in a foreign country would place U.S. inventors at grave risk of having their inventions stolen through fraud. That is not a risk that Congress is willing to accept.

In section 2(c), the present bill, for clarity’s sake, changes the previous bills’ recodification of section 103 of title 35 by replacing the word “though” with “but,” notwithstanding that “but” is a more consistent convention in conventional English usage. Also, in both the present bill and earlier versions, former subsection (b) of section 103 has been dropped, since it has already been subsumed in caselaw. And subsection (c) of the CREATE Act has been moved to subsection (d) of section 102.

In section 2(e) of the present bill, an effective date is added to the repeal of statutory invention registrations. SIRs are needed only so long as interference exists. The bill repeals the authority to initiate interferences 18 months after the date of enactment. The added effective-date language also repeals SIRs 18 months after enactment, making clear that preexisting SIRs remain effective for purposes of pending interferences, which may continue under this bill.

Section 2(e)(2) of the bill strikes the citation to section 115 from section 111(b)(8)’s enumeration of application requirements that do not apply to provisionalals. This conforming change is made because, in section 3 of the bill, section 115 itself has been amended so that it only applies to nonprovisionals. In other words, there is no longer any need to maintain a requirement to except out the oath requirement because that requirement no longer extends to provisionalals. There is no need for an exception to a requirement that does not apply.

Sections 2(h) and (i) of the present bill make a number of changes to the previous bills’ treatment of remedies for derivation. These changes are made largely at the Patent Office’s suggestion. In particular, the new section 135 proceeding is simplified. The Office is given authority to implement the proceeding through regulations, the Office is permitted to stay a derivation proceeding pending an ex parte.
reexamination, IPR, or PGR for the earlier-filled patent, and the Office is permitted but not required to institute a proceeding if the Office finds substantial evidence of derivation. In lieu of a section 335 proceeding, parties will be allowed to challenge a derived patent through a civil action under a revised section 291.

New section 2(k) of the bill eliminates the qui tam remedy for false marking, while allowing a party that has suffered a competitive injury as a result of such marking to seek compensatory damages. Section 292 of title 35 prohibits false patent marking and imposes a penalty of $500 for each such offense. Under current law, subsection (b) allows “any person” to sue for the penalty, and requires only that one half of the proceeds of the suit shall go to the United States. Current subsection (b) is, in effect, a qui tam remedy for false marking, but without any of the protections and government oversight that normally accompany qui tam actions.

The changes made by section 2(k) of the bill would allow the United States to continue to seek the $500-per-article fine, and would allow competitive remedies recovered in relation to actual injuries that they have suffered as a result of false marking, but would eliminate litigation initiated by unrelated, private third parties.

In addition, patentees, attorneys have begun to target manufacturers of high-volume consumer products with section 292(b) actions. Since the fine of up to $500 is assessed for each article that is falsely marked, such litigants have an incentive to target products that are sold in high volume. Though one might assume that section 292 is targeted at parties that assert fictitious patents in order to deter competitors, such a scenario is almost wholly unknown to false-marking litigation. False markings are almost always based on allegations that a valid patent that did cover the products has expired, but the manufacturer continued to sell products stamped with the patent, or allegations that an existing patent used to mark products is invalid or unenforceable, or that an existing and valid patent’s claims should not be construed to cover the product in question.

Indeed, a recent survey of such suits found that a large majority involved valid patents that covered the products in question but had simply expired. For many products, it is difficult and expensive to change a mold or other means by which a product is marked as patented, and marked products continue to circulate in commerce for some time after the patent expires. It is difficult that the Congress that originally enacted this section anticipated that it would force manufacturers to immediately remove marked products, once the patent expired, given that the expense to manufacturers of doing so will generally greatly outweigh any conceivable harm of allowing such products to continue to circulate in commerce.

Indeed, it is not entirely clear how consumers would suffer any tangible harm from false marking that is distinct from that suffered when competitors are markets. Patent marking’s primary purpose is to inform competitors, not consumers, that a product is patented. I doubt that consumers would take any interest, for example, in whether a dispositive 5-year statute of limitations to that generally applies to enforcement of civil penalties, at 28 U.S.C. § 2462, run from the date when a violation occurred, rather than from the date when the enforcement agency first learned of the violation or reasonably could have learned of it. A recent Federal Circuit case, Sheinbein v. Dudas, 465 F.3d 493, 496, Fed. Cir. 2006, applies the section 2462 5-year limitation to section 32 proceedings, and applies 3M v. Browner’s Seagram case as precedent, that “[a] claim normally accrues when the factual and legal prerequisites for filing suit are in place.” However, another court case, S.E.C. v. Koenig, 557 F.3d 736, 739, 7th Cir. 2009, has recently held that even when a fraud has occurred, section 2462 only runs from the time the fraud “could have been discovered by a person exercising reasonable diligence.”

Although the Federal Circuit appears to be inclined to follow 3M v. Browner, it is not entirely clear that it would reject Koenig’s exception for cases of fraud, Koenig having been decided subsequently to Sheinbein. In any event, neither rule would be entirely satisfactory for section 32 proceedings. On the one hand, a strict five-year statute of limitations that runs from when the misconduct occurred, rather than from when it reasonably could have been discovered, would appear to preclude a section 32 proceeding for a significant number of cases of statute of limitations, since prosecution misconduct often is not discovered until a patent is enforced. On the other hand, a fraud exception that effectively tolls the statute of limitations until the fraud reasonably could have been discovered would be both overinclusive and underinclusive. Such tolling could allow a section 32 proceeding to be commenced more than two decades after the attorney’s misconduct occurred. This is well beyond the time period within which individuals can reasonably be expected to maintain an accurate recollection of events and motivations. And yet, a fraud exception would also be underinclusive, since there is a substantial range of misconduct that PTO should sanction that does not rise to the level of fraud, which requires reliance on the perpetrator’s misrepresentations.

Section 2(1) of the bill adopts neither 3M v. Browner nor Koenig’s approach, but imposes an 10-year limit of 10 years from the occurrence of the misconduct for the initiation of a section 32 proceeding. A 10-year limit...
would appear to allow a proceeding for the vast bulk of misconduct that is discovered, while also staying within the limits of what attorneys can reasonably be expected to remember.

Paragraph (2) of section 2(1) requires the Office to report to Congress every two years on incidents of misconduct that it becomes aware of and would have investigated but for the 10 year limit. By providing a description of the charges and apparent seriousness of such incidents, these reports will alert a future Congress if there is a need to revisit the 10-year limit. If the number and seriousness of such incidents is substantial enough, it may outweigh the interest in repose with regard to such matters.

Section 2(m) of the present bill requires the Small Business Administration to report to Congress on the expected impact of the first-to-file system on that will preserve his priority under the first-to-invent system, if that American inventor relies on first-to-invent rules to delay filing his application, he runs a serious risk that someone in another country will file an application claiming the same invention, before the American does. Because the rest of the world uses the first-to-file system, even if the American inventor can prove that he was the first to have possession of the invention, the foreign filer would obtain the patent rights to the invention everywhere outside of the United States. In today’s world, patent rights in Europe and Asia are valuable and important and cannot be ignored.

Section 2(n) of the bill requires the Director to report on the desirability of authorizing prior-user rights, particularly in light of the adoption of a first-to-file system.

In subsection (m) of the bill, the time for implementing the first-to-file system has been moved to 18 months, so that Congress might have an opportunity to act on the conclusions or recommendations of the reports required by subsections (m) and (n) before first-to-file rules are implemented.

Subsection (o) generally adopts the Office’s preferred approach to transitioning to the first-to-file system. Under this approach, if an application contains or contained a claim to an invention with an effective-filing date that is 18 months after the date of enactment of the Act, the entire application is treated as a first-to-file application. As a practical matter, this allows applicants to flip their applications forward into the first-to-file system, but prevents them from flipping backward into the first-to-invent universe once they are already subject to first-to-file rules.

New section 100(i)(2) of title 35 ensures that reissues of first-to-invent patents will remain subject to first-to-invent rules. Also, continuations of first-to-invent applications that do not introduce new matter will remain subject to first-to-invent rules. This last rule is important because if a continuation filed 18 months after the enactment of the Act were automatically subject to first-to-file rules, even if it included the whole invention into the first-to-file universe by including the new disclosure in a continuation of his pending first-to-invent application, or he can choose to keep the pending application in the first-to-file world by filing the new disclosure as a separate invention.

Paragraph (2) of subsection (o) provides a remedy in situations in which interfering patents are issued, one of which remains subject to first-to-invent rules, and the other of which was filed earlier but has a later date of conception and has transitioned into the first-to-file system. Paragraph (2) subjects the latter patent to the first-to-file regime, and allows the other patent owner and even third parties to seek invalidation of that later-conceived interfering patent on that basis.

In section 3(a) of the present bill, the language of the fourth paragraph of current section 251, the Office currently does allow assignees to seek broadening reissue, so long as the inventor does not oppose the reissue. The Office views such unopposed applications for reissue as the only way to ensure that courts “in the name” of the inventor. Expanding an assignee’s right to seek broadening reissue is consistent with the bill’s changes to sections 115 and 118, which expand assignees’ rights by allowing assignees to apply against the inventor’s wishes. If an assignee exercises his right to apply for a patent against the inventor’s wishes, there is no reason not to allow the same assignee to also seek a broadening reissue within the section 251 time limits.

Turning to the issue of damages, at the end of the 110th Congress, I introduced a patent reform bill, S. 3900, that proposed restrictions on the use of some of the factors that are used to calculate a reasonable royalty. Discussions with patent-damages experts had persuaded me that several of the metrics that are employed by litigants are unsound, unduly manipulable and subjective, and prone to producing excessive awards. The most significant of the restrictions that I proposed in S. 3900 were limits on the use of supposedly comparable licenses for other patents to value the patent in suit, and limits on the use of measures such as the so-called rule of thumb. These proposals are discussed in my statement accompanying the introduction of S. 3600, at 154 CONGRESSIONAL RECORD S9982, S9984-85, daily ed. September 27, 2006. I argued at the time that the only way to ensure that courts and juries stop using these metrics “is for Congress to tell the courts to disallow them.”

It appears that I underestimated the courts’ ability and willingness to address these problems on their own. And I certainly did not anticipate the speed with which they might do so. Three recent decisions from the Federal Circuit...
have sharply restricted the use of licenses for supposedly comparable patents to value the patent in suit. Lucent Technologies, Inc. v. Gateway, Inc., 580 F.3d 1301, 1328, Fed. Cir. 2009, makes clear that mere “kinship” in a field of technology is not enough to show use of evidence of licenses for other patents. Lucent bars the use of other-patent licenses where there is no showing of the significance of such other patented inventions to their licensed products, voicing concern of how “valuable or essential” those other licensed inventions are. In a similar vein, ResQNet.com, Inc. v. Lansa, Inc., 594 F.3d 860, 870, 872, Fed. Cir. 2010, condemns the use of “unrelated” licenses for other patents as a measure of value, making clear that a supposedly comparable license must have “an economic or other link to the technology in question.” And Wordtech Systems, Inc. v. Integrated Network Solutions, Inc., 609 F.3d 1308, 1320, Fed. Cir. 2010, recently agreed that “comparisons of past patent licenses to the infringer must account for the technological and economic differences between them.”

And just two months ago, I was particularly pleased to see the Federal Circuit announce, in Uniloc USA, Inc. v. Microsoft Corp., F.3d 2011 WL 9738, Fed. Cir. 2011, that the “court now holds as a matter of Federal Circuit law that the 25 percent rule of thumb is a fundamentally flawed tool for determining a baseline royalty rate in a hypothetical negotiation.” The court ruled that testimony based on the rule of thumb is inadmissible under the Daubert standard.

The rule of thumb is a particularly arbitrary and inaccurate measure of patent value. I am glad to see that it will no longer be used.

The patent companies that I quoted earlier also struck down a damages award that was based on the entire market value of the infringing product. The court did so because there was no substantial evidence that the patented invention was the driver of consumer demand for the product. See Lucent, 580 F.3d at 1337–38. This holding addresses one of the principal complaints that I have heard about patent-damages calculations. And it effects a reform that Congress itself cannot enact. Existing law already required that the invention be the basis for consumer demand before damages can be assessed on the whole product, and the law already required parties to support their contentions with legally sufficient evidence. Congress can change the underlying law, but it cannot make the courts enforce it. The Lucent case did so.

The limits that I had proposed in S. 3600 on the use of metrics such as the rule of thumb, and that bill’s restrictions on the use of licenses for comparable patents to value the patent in suit, are rendered superfluous by these intervening judicial decisions. The present bill appropriately leaves patent-damages law to common law development in the courts.

The present bill also makes no changes to the standard for awards of treble damages. As noted in the Minority Report to the committee report for the 2009 bill, Senate Report 111-18 at pages 58–60, that bill’s grounds for allowing treble damages were exceedingly narrow, and its safe harbors were overly broad. That bill would have created immunity from willfulness damages even for an infringer who was fully aware of a patent and had no reason to believe the feature it covered was invalid. It also created immunity, in some cases, even for infringers who had engaged in warrant conduct such as deliberate copying.

Awards of enhanced damages play an important role in the U.S. patent system. It is not uncommon that a manufacturer will find itself in a situation where it feels great pressure to copy a competitor’s patented invention. In a typical scenario, the sales staff report that they are losing sales because the competitor’s product has a particular feature that the manufacturer’s product does not. It may be that certain customers discover that the feature is protected by a valid patent, and they find that they are unable to produce the same feature without infringing the patent. The company then has two choices. It can change the design of the product to reproduce or substitute for the patented feature, and as it does so, continue to lose market share, or in some cases, lose those sales to competitors’ products. Or it can choose to infringe the competitor’s patent.

Treble damages are authorized in order to deter manufacturers from choosing the second option. Absent the threat of treble damages, many manufacturers would find that their most financially reasonable option is simply to infringe patents. Lost-profits damages are often hard to prove or unavailable. The patent owner is always entitled to a reasonable royalty, but under that standard, the infringer often can keep even substantial losses produced by his infringing behavior. Without treble damages, many companies would find it economically rational to infringe valid patents. Section 298’s authorization of treble damages is designed to persuade these companies that their best economic option is to respect valid patents.

If patents were routinely ignored and infringed, the patent system would cease to be of use to many companies and other entities of our nation’s most important research and development. These companies are profitable because people respect their patents and voluntarily pay a license. They would not be viable enterprises if they always had to sue in order to get paid for others’ use of their patented inventions.

By dropping the 2009 bill’s restrictions on treble-damages awards, the present bill preserves these awards’ role as a meaningful deterrent to recklessness or warrant conduct. Ultimately, we want a treble-damages standard that creates an environment where the most economically reasonable option for a party confronted by a strong patent is to take a license—and where no one thinks that he can get away with copying.

Section 4(c) of the present bill adds a new section 298 to title 35. This section permits courts and juries to draw an adverse inference from an accused infringer’s failure to obtain opinion of counsel as to infringement or his failure to waive privilege and disclose such opinions. The purpose is designed to protect attorney-client privilege and to reduce pressure on accused infringers to obtain opinions of counsel for litigation purposes. It reflects a policy choice that the probative value of this type of evidence is outweighed by the harm that coercing a waiver of attorney-client privilege inflicts on the attorney-client relationship. Permitting adverse inferences from a failure to procure an opinion or waive privilege undermines frank communication between clients and counsel. It also feeds the cottage industry of producing such opinions—an industry that is founded on an unhealthy relationship between clients and counsel. These amounts will contribute to a deadweight loss to the patent system. Some lawyers develop a lucrative business of producing these opinions, and inevitably become aware that continued requests for their services are contingent on their opinions always coming out the same way—that the patent is invalid or not infringed. Section 298 reflects legislative skepticism of the probative value of such opinions. Section 298 applied to both willfulness and intent to induce infringement—and thus legislatively abrogates Broadcom Corp. v. Qualcomm Inc., 543 F.3d 683, Fed. Cir. 2008. That case held, at page 699, that: ‘‘Because opinion-of-counsel evidence, along with other factors, may reflect whether the accused infringer knew or should have known’’ that its actions would cause another to directly infringe, we hold that such evidence remains relevant to the second prong of the intent analysis. Moreover, we disagree with Qualcomm’s argument and further hold that the failure to procure an opinion may be probative of intent in this context.

Section 5 of the bill has been substantially reorganized and modified since the 2009 bill. In general, the changes to this part of the bill aim to make inter partes and post-grant review into systems that the Patent Office is confident that it will be able to administer. The changes also impose procedural limits on post-grant administrative proceedings that will prevent abuse of these proceedings for purposes of harassment or delay.

Accused infringers, however, also will benefit from some of the changes made by the present bill. The bill eliminates the current law’s requirement under section 317(b) of title 35, that an inter partes reexamination be terminated if litigation results in a final judgment. It also removes the bar on challenging pre-1999 patents in inter partes proceedings. All patents will now be challenged in inter partes review.

In addition, the bill creates a new post-grant review in which a patent
can be challenged on any validity ground during the first nine months after its issue. Challengers who use this proceeding will be stopped in litigation from raising only those issues that were raised and decided in the post-grant review, rather than those issues that could have been raised, the standard employed in inter partes reexamination.

The present bill also softens the could-have-raised estoppel that is applied by inter partes review against subsequent civil litigation by adding the modifier “reasonably.” It is possible that courts would have read this limitation into current law’s estoppel. Current law, however, is also amenable to the interpretation that litigants are estopped from raising any issue that it would have been physically possible to raise in the inter partes reexamination, even if only a scorched-earth search around the world would have uncovered the prior art in question. Adding the modifier “reasonably” and effecting the could-have-raised estoppel extends only to that prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover.

Section 5(a) of the 2009 version of the bill, which would amend section 301, has been modified and moved to section 5(g) of the bill. This provision allows written statements of the patent owner regarding claim scope that have been made in court or in the Office to be made a part of the official file of the patent, and allows those statements to be considered in reexaminations and inter partes and post-grant reviews for purposes of claim construction. This information should help the Office understand and construe the key claims of a patent. It should also allow the Office to identify inconsistent statements made about claim scope—for example, cases where a patent owner successfully obtained a claim scope in a district court that is broader than the “broadest reasonable construction” that he now urges in an inter partes review.

The present bill preserves the agreement reached in the 2d Judiciary Committee mark up to maintain the current scope of inter partes proceedings: only patents and printed publications may be used to challenge a patent in an inter partes review. The structural change made by the present bill is that inter partes reexamination is converted into an adjudicative proceeding in which the petitioner, rather than the Office, bears the burden of showing unpatentability. Section 5(c) of the previous bill eliminated language in section 314(a) that expressly required inter partes reexamination to be run as an examination rather than an adjudicative proceeding, but failed to make conforming changes eliminating provisions in sections 312(a)(5) and 322(a)(5) that would have required inter partes reexamination to still be run as an examination proceeding. In the present bill, section 316(a)(4) gives the Office discretion in prescribing regulations governing the new proceeding. The Office has made clear that it will use this discretion to convert inter partes into an adjudicative proceeding. This change also is effectively compelled by new section 316(c), which assigns to the petitioner the burden of proving a proposition of unpatentability by a preponderance of the evidence. Because of these changes, the petitions that are changed into inter partes reexamination from “inter partes reexamination to “inter partes review.”

The present bill also makes changes to the petition requirements that appear in new sections 312(a)(5) and 322(a)(5). These sections have been modified to require petitioners to provide to the patent owner the same identification of any real parties in interest or privies that is provided to the Office. The Office anticipates that patent owners will take the initiative in determining whether a petitioner is the real party in interest or privy of a party that is barred from instituting a proceeding with respect to the patent.

Language that previously appeared as the last sentence of what are now sections 312(c) and 322(c), and which stated that failure to file a motion to seal will result in pleadings’ being placed in the record, has been struck. At best this sentence was redundant, and at worst it created an ambiguity as to whether material accompanying the pleadings also would be made public absent a motion to seal.

Many of the temporal limits added to inter partes and post-grant review by the present bill are borrowed from S. 3600, the bill that I introduced in the 110th Congress. My comments accompanying the introduction of that bill, at 154 CONGRESSIONAL RECORD S9982–9993, daily ed. Sept. 27, 2008, are relevant to those provisions of the present bill that are carried over from S. 3600, particularly to the extent that the comments address the concerns that were raised in post-grant review, such as enabling and section 101 invention issues, may require development through discovery. The Office wants the party that is barred from seeking a declaratory judgment that the patent is invalid. This restriction applies, of course, only if the review petitioner has filed the civil action. These two subsections (a) do not restrict the rights of an accused infringer who has been sued and is asserting invalidity in a counterclaim. That situation is governed by section 315(b), which provides that if a patent has been sued for infringement and wants to seek inter partes review, he must do so within 6 months of when he was served with the infringement complaint.

Section 325(b) provides that if a patent owner sues to enforce his patent within three months after it is granted, a court cannot refuse to consider a motion for a preliminary injunction on the basis that a post-grant review has been requested or instituted. A patent owner who sues during this period is likely to be a market player, who already has an infringer intruding on his market, and who needs an injunction in order to avoid irreparable harm.
This provision strengthens and carries over to post-grant review the rule of Procter & Gamble Co. v. Kraft Foods Global, Inc., 549 F.3d 842, Fed. Cir. 2008.

Sections 315(c) and 325(c) allow joinder of inter partes and post-grant reviews. Under paragraph (1) of sections 315(e) and 325(e), any party that files its own briefs and makes its own arguments. If a party seeking joinder also presents additional challenges to validity that satisfy the threshold for instituting a proceeding, the Office will either join that party and its new arguments to the existing proceeding, or institute a second proceeding for the patent. The Director is given discretion, however, on whether or not to allow joinder. This safety valve will be allowed the Office to avoid being overwhelmed if there happens to be a deluge of joinder petitions in a particular case.

In the second sentence of section 325(d), the present bill also authorizes the Director to reject any request for ex parte reexamination or petition for post-grant review based on the basis that the same or substantially the same prior art or arguments previously were presented to the Office. This will prevent parties from mounting attacks on patents that raise issues that the Office already has rejected as issues that were already before the Office with respect to the patent. The Patent Office has indicated that it currently is forced to accept many requests for ex parte and inter partes reexamination that raise challenges that are cumulative to or substantially overlap with issues previously considered by the Office with respect to the patent.

The second sentence of section 325(d) complements the protections against abuse of ex parte reexamination that are created by sections 315(e) and 325(e). The estoppel in subsection (e) will prevent inter partes and post-grant review petitioners from seeking ex parte reexamination of issues that were raised or could have been raised in the inter partes or post-grant review. The Office has generally declined to apply estoppel, however, to an issue that is raised in a request for inter partes reexamination. Subsections (a)(5), which gives the Office discretion in setting a time limit for allowing joinder. The Office has made clear that it intends to use this authority to encourage early requests for joinder and to discourage late requests. The Office also has indicated that it may consider the following factors when determining whether and when to allow joinder: differences in the products or processes alleged to infringe; the breadth or unusualness of the claim scope that is alleged; particularly if alleged later in litigation; claim-construction rulings that affect claim interpretations that are substantially different from the claim interpretation used in the first petition when that petition's interpretation was not manifestly unfair to the parties; consent of the patent owner; a request of the court; a request by the first petitioner for termination of the first review in view of strength of the second petition; and whether the petitioner has offered to pay the patent owner's costs.

Sections 316(a)(6) and 326(a)(5) prescribe standards for discovery. In inter partes review, discovery is limited to deposition of witnesses based on affidavits or declarations, and as otherwise necessary in the interest of justice. In post-grant review, discovery is broader, but must be limited to evidence directly related to factual assertions advanced by the petitioner, and those assertions. For commentary on these standards, which are adopted from 3600, see 154 CONGRESSIONAL RECORD S9988–89, daily ed. Sept. 27, 2008.

Sections 316(a)(12) and 326(a)(11) provide that inter partes and post-grant reviews must be completed within 12 months of when the proceeding is instituted, except that the Office can extend this deadline by 6 months for good cause. Currently, inter partes reexaminations usually last for 3 to 5 years. More procedures by proceeding by the present bill to inter partes proceedings, the Patent Office is confident that it will be able to complete these proceedings within one year. Among the reforms that are expected to expedite the review is the establishment of the Office of Appeal and the elevated threshold for instituting proceedings. The elevated threshold will require challengers to front-load the case. Also, by requiring petitioners to identify themselves to the Office in order for the Office to be able to enforce this new restriction.

The present bill also incorporates S. 3600's extension of the estoppels and other procedural limits in sections 315 and 325 to real parties in interest and privies of the petitioner. As discussed at 154 CONGRESSIONAL RECORD S9987, daily ed. Sept. 27, 2008, privity is an equitable rule that takes into account the "practical situation," and should extend to parties to transactions and other activities relating to the property in question. Ideally, extending could-have-raised estoppel to privies will help ensure that if an inter partes review petition is pending, that review will completely substitute for at least the patents-and-printed-publications portion of the civil litigation. Whether equity allows extending privity estoppel to codefendants in litigation will depend in large measure upon the actions of the patent owner, and whether he has made it reasonably and reliably clear which patent claims he is asserting and what they mean. If one defendant has instituted an inter partes review, but other defendants do not have an opportunity to join that review before it becomes reasonably clear which claims will be litigated and how they will be construed, it would be manifestly unfair to extend privity estoppel to the codefendants.

The Office also has the authority to address such scenarios via its authority under section 316(a)(5), which gives the Office discretion in setting a time limit for allowing joinder. The Office has made clear that it intends to use this authority to encourage early requests for joinder and to discourage late requests. The Office also has indicated that it may consider the following factors when determining whether and when to allow joinder: the breadth or unusualness of the claim scope that is alleged; particularly if alleged later in litigation; claim-construction rulings that affect claim interpretations that are substantially different from the claim interpretation used in the first petition when that petition's interpretation was not manifestly unfair to the parties; the breadth or unusualness of the claim scope that is alleged; particularly if alleged later in litigation; claim-construction rulings that affect claim interpretations that are substantially different from the claim interpretation used in the first petition when that petition's interpretation was not manifestly unfair to the parties; consent of the patent owner; a request of the court; a request by the first petitioner for termination of the first review.
new inter partes and post-grant proceedings, sections 5(c)(2)(C) and 5(f)(2) allow the Director to place a limit on the number of post-grant and inter partes reviews that will be instituted during the first four years that the proceedings are open. It is understood that if the Office rejects a petition during this period because of this numerical limit, it will make clear that the rejection was made because of this limit and not on the merits of the validity presented in the petition. Otherwise, even a challenger with strong invalidity arguments might be deterred from using inter partes or post-grant review by fear that his petition might be rejected because of the numerical limit, and the fact of the rejection would then be employed by the patent owner in civil litigation to suggest that the experts at the Patent Office found no merit in the challenger’s arguments.

Similarly, under subsection (a)(2) of sections 316 and 326, the Office is required to implement the inter partes and post-grant review thresholds via regulations, and under subsection (b) of those sections, in prescribing regulations, the Office is required to take into account other things that would affect the Office’s ability “to timely complete proceedings instituted under” those chapters. It is expected that the Office will include in the threshold regulations a safety valve that allows the Office to institute more inter partes and post-grant proceedings if a high volume of pending proceedings threatens the Office’s ability to timely complete all proceedings. The present bill’s inclusion of this regulations consideration in subsection (b) reflects a legislative judgment that it is better that the Office turn away some petitions that otherwise satisfy the threshold for instituting an inter partes or post-grant review than it is to allow the Office to develop a backlog of petitions that prompts the Office from timely completing all proceedings. Again, though, if the Office rejects a petition on the basis of this subsection (b) consideration, rather than on the basis of a failure to satisfy the substantive standards of the thresholds in section 314 or 324, it is expected that Office will make this fact clear when rejecting the petition.

Section 5(c)(3) of the present bill applies the bill’s new threshold for instituting inter partes reviews to requests for inter partes reexamination that are filed between the date of enactment of the bill and one year after the enactment of the bill. This is done to ensure that requesters seeking to take advantage of the lax standards of the old system do not overwhelm the Office with requests for inter partes reexamination during the year following enactment of the bill.

Finally, section 5(b)(2) of the bill addresses a reexamination. Charles E. Miller & Daniel P. Archibald, The Destructive Potential of the Senate Version of the Proposed Patent Reform Act of 2010: The Abolition of de novo Review in Ex parte Patent Reexaminations (circulated April 16, 2010). This article criticizes the draft managers’ amendment that Senators LEAHY and SESSIONS circulated in March 2010 on the ground that it eliminates authority for a patent owner to have a reexamination instituted under section 145 from an adverse decision in the BPAI on review of an ex parte reexamination. It is fairly apparent, however, that this authority was intended to be eliminated by the amendments made by section 5(a) of the AIPA. The 1999 Patent Inventors Protection Act of 1999, Public Law 106-113, to sections 134 and 141 of title 35. The 2010 managers’ amendment simply maintained the AIPA’s changes to sections 134 and 141.

The AIPA neglected, however, to eliminate a cross reference to section 145 in section 306 of title 35, which delineates the appeals available from ex parte reexaminations. The maintenance of this cross reference in section 306 creates an ambiguity as to whether the AIPA did, in fact, eliminate a patent owner’s right to seek remedy in the district court under section 145 from an adverse BPAI decision on review of an ex parte reexamination. See Sigram Schiber Beteiligungsgeellschaft mbH v. Kappos, 93 USPQ2d 1752, E.D. Va. 2009, (Ellis, J.), notes that “the fact that § 306 continues to cross-reference § 141 to 145 following the AIPA’s enactment appears to be in tension with the AIPA amendments.”

Section 5(h)(2) of the present bill eliminates this ambiguity by striking the citation to section 145 from section 306 of title 35.

Section 6 of the bill includes all provisions of the bill addressing the jurisdiction of the Patent Trial and Appeal Board and administrative and judicial appeals. In section 6(a), the recodification of section 6 of title 35 is modified so that all members of the PTAB can participate in the proceedings. Also, subsection (d) is added to the recodification of section 6 of title 35. By omitting this provision, the 2009 bill would have effectively repealed the APJ “appointments fix” that had been enacted in 2006.

In section 6(c) of the bill, section 141 of title 35 is modified to allow appeals of PTAB decisions in inter partes and post-grant reviews, and the section is edited and reorganized. To address the large number of inter partes and post-grant interferences, language has been added to section 5(f)(3) of the bill that deems references to derivation proceedings in the current appeals statutes to extend to interferences commenced before the effective date of the bill’s repeal of interferences, and that allows the Director to deem the PTAB to be the BPAI for purposes of pending interferences and to allow the PTAB to conduct such interferences.

In section 6(c)(2) of the bill, section 125(a)(4)/(A) of title 29 is modified to authorize appeals of reexaminations and reviews. Interestingly, current section 125(a)(4)/(A) only gives the Federal Circuit jurisdiction over appeals from applications and interferences. It appears that Congress never gave the Federal Circuit jurisdiction over appeals from reexaminations when it created those proceedings. The language of subparagraph (A) is also generalized and clarified by clarifying that the details of what is appealable will be in sections 134 and 141. Also, for logical consistency, language is added to subparagraph (A) making clear that section 145 and 146 proceedings are an exception to the Federal Circuit’s exclusive appellate jurisdiction over applications and interferences under that subparagraph.

In section 6(c)(3) of the bill, section 143 of title 35 is modified to allow the Director to intervene in the appeal of a decision of the PTAB in an inter partes or post-grant review or a derivation proceeding.

In the effective-date provision at the end of section 6, various existing authorities that are otherwise relatively speedy final phase proceedings, sections 5(c)(2)(C) and 5(f)(2) of title 35, the word “person” has been replaced with “third party,” so that submissions may only be submitted by third parties. This addresses the Office’s concern that applicants might otherwise use section 122(e) to submit prior art and thereby evade other examination disclosure requirements.

In subparagraph (A) of section 122(e)(1), the word “given” has been replaced with “articulated”. This change was sought by the Office, which prefers to limit submissions to the first publication for two reasons. First, re-publications overwhelmingly only narrow the claims, and in such cases anyone who would want to submit prior art could have done so at the first publication. Second, and more important, most re-publications occur only after the first office action, when there is usually rapid back-and-forth action on the application between the applicant and the Office. Allowing third parties to make prior-art submissions at this point would require the Office to wait six months after the re-publication in order to allow such submissions, and would otherwise greatly slow down this otherwise relatively speedy final phase of prosecution.

In the clause (i) of section 122(e)(1)(B), the words “by the Office” are added to ensure that only publication by the United States Patent and Trademark Office begins the period for
making pre-issuance submissions. The Office sought this change because a for- 
eign publication can be deemed a publi-
cation under section 122, and the Office wants to ensure that it is only required to 
collect third-party submissions for an application that is actually filed in the United States.

Section 8 of the present bill omits provisions appearing in prior bills that would have created an expanded right to an interlocutory appeal from claim-construction rulings. Even as revised in the 2009 Judiciary Committee mark up, previous section 8(b) gave the Fed-
eral Circuit insufficient discretion to 
turn away such appeals and posed a se-
rious risk of overwhelming the court. The 2009 mark-up revisions allowed the 
Federal Circuit to reject an interlocu-
tory appeal if it found clear error in 
the district court’s certification that 
there is a sufficient evidentiary record for 
an interlocutory appeal and that such 
an appeal may advance the deter-
mation of the litigation or will likely 
control the outcome of the case. It 
would be difficult in any case, however, 
to reject a finding that an interlocu-
tory appeal of claim-construction rul-
gs is necessary to determine the termi-
nation of the litigation. Moreover, if a district judge has 
certified a case for interlocutory 
appeal, it is very unlikely that the 
record that he has created would sup-
port a finding that his decision is clear-
ly erroneous. Finally, given the 
disdain for patent cases felt by a sub-
stantial number of district judges, 
there is a serious likelihood that a 
large number of judges would take ad-
vantage of a new authorization from 
Congress to send away such cases to 
the Federal Circuit, with the hope that 
they do not return. Current law’s grant of discretion to the Federal Circuit to 
terminate interlocutory appeals of 
claim-construction rulings strikes the 
appropriate balance.

Section 9 of the present bill author-
izes supplemental examination of a patent to correct errors or omissions in 
proceedings before the Office. Under 
this new procedure, information that 
was not considered or was inadequately 
considered or was incorrect can be pre-
sented to the Office. If the Office deter-
mines that the information does not 
present a substantial new question of 
patentability or that the patent is still 
valid, that information cannot be used as a basis for an inequitable-conduct 
attack on the surviving patent in civil litigation. New section 257(c)(1) follows 
the usual practice of referring to ine-
quitable-conduct attacks in terms of 
unfairness. It is the essence of unfairness, rather than invalidity, that makes the ine-
quitable-conduct attacks so powerful; the terms unreasonably narrow the scope of 
the attacks. Section 9 expands the Office’s power to correct a finding of 
invalidity but also defines the appropriate balance.

Section 10 of the present bill has 
been modified by section 16 of the bill to 
include state court jurisdiction over 
patents under chapter 32.

Section 11 of the bill repeals the so-
called Baldwin rule, which requires 
rulings on the Federal Circuit to live 
within 50 miles of Washington, D.C. 
Under current law, the Baldwin rule 
comes into play only where the repeal 
of the Baldwin rule shall not be con-
strued to imply that the Administra-
tive Office of the Courts must provide 
court facilities or administrative sup-
port services to judges who choose to 
reside outside of the District of Colum-
bia. This proviso does not affect the 
AOC’s existing authority to provide 
services to judges outside of the Dis-
trict of Columbia. Its reference to 
“court facilities” means space within a 
courthouse or federal building, and the reference to “administrative support 
services” means those services that 
would be provided to judges within 
a courthouse or federal building.

In section 15 of the bill, a conforming 
substitution (b) has been added to ensure 
that the best-mode requirement cannot 
be used to challenge a patent’s entitle-
ment to a right of priority or to the 
benefit of an earlier filing date. In the 
new effective-date subsection, the sec-
tion is made applicable to all “pro-
ceedings” commenced after enactment 
of the Act, in order to make clear that 
the section’s changes to the law will be 
immediately applicable not just in liti-
gation but also in post-grant reviews of 
patents under chapter 32.

At subsections (a) through (h), sec-
tion 16 of the bill has been modified by 
inserting language that eliminates 
varying deceptively-intent requirements 
that may prevent correction of the naming 
of the inventor or the inventor’s assignee, 
obtaining a retroactive foreign filing li-
cense, seeking section 251 reissue, or 
ensuring remaining valid claims if a 
claim is invalidated. See generally 
Brother v. Enesco, 636 F.3d 1308, 1313, 94 
Cir. 1999). The changes were first proposed in section 5 of the original Patent Re-
form Act of 2005, H.R. 2795, 109th Cong., and have been advocated by uni-
versities and their technology-transfer 
ofices. For reasons that are not ent-
tirely clear, subsequent bills main-
tained this section and its addition of 
substructure and titles to the affected 
code sections, but struck the sub-
stantive part of the section—the text 
regulating the deceptively-intent re-
quirements.

Eliminating the various deceptively-in-
tent requirements moves the U.S. pat-
ext system away from the 19th century 
model that focused on the patent own-
er’s subjective intent, and towards a 
more objective-evidence-based system 
that will be much cheaper to litigate 
and more efficient to administer.

Section 16(i) of the present bill cor-
rects several errors and typos through-
out the bill’s changes omit such refer-
ces. Because the unnecessary references 
greatly outnumber the necessary references, the provision is written to strike all 
references but the except out the nec-
necessary references.

The present bill’s new section 17 en-
acts the so-called Holmes Group fix, 
H.R. 2955, 109th Congress, which was re-
ported out of the House Judiciary Com-
mmittee in 2006. The committee report 
accompanying that bill, House Report 
109–407, explains the bill’s reasons for 
abrogating Holmes Group, Inc. v. 
Vornado Air Circulation Systems, Inc., 
353 U.S. 826 (2002), and more fully pre-
sumes the subject matter over patent 
legal claims.

Section 17 makes two modifications 
to the reported version of H.R. 2955. 
The first modification, at subsection 
(c), limits the bill’s expansion of Fed-
eral Circuit jurisdiction to only com-
pulsory counterclalmalss asserting patent 
rights, rather than than the original bill’s 
expansion of jurisdiction to include 
any counterclaim asserting patent 
rights. Compulsory counterclaims are 
defined at Rule 13(a) and basically con-
tinues the same transaction or occurrence and 
that do not require the joiner of par-
ties over whom the court would lack
jurisdiction. A compulsory counterclaim must be raised as a counterclaim in the case in question, and cannot be asserted in a later case. Without this modification, it is possible that a defendant could raise unrelated and unnecessary patent counterclaims or assertions in order to manipulate appellate jurisdiction. With the modification, a defendant with a permissible patent counterclaim who wanted to preserve Federal Circuit appellate review of that counterclaim would simply wait to assert it in a separate action.

The second modification, in subsection (d), corrects an error in H.R. 2955 that would have required removal of patent and other intellectual property counterclaims after their removal. H.R. 2955’s proposed removal statute, at section 145(c)(1) of title 28, required a remand to the state court of all claims that are not within the original or supplemental jurisdiction of the district court. Since the bill no longer amends section 1338 to give district courts original jurisdiction over patent counterclaims, however—and since, pursuant to Holmes Group itself, intellectual property counterclaims are not within the district courts’ original jurisdiction—then under paragraph (1), district courts would be required to remand the patent counterclaims. Courts would probably strain to avoid reading the paragraph this way, since doing so defeats the only apparent purpose of the section, and the amendments to section 1338 strip the state courts of jurisdiction over patent counterclaims. But that is exactly what H.R. 2955’s proposed 1454(c)(1) ordered the court to do. In the modified text of section 17(d) of this bill, the court is instructed to not remand those claims that were a basis for removal in the first place—that is, the intellectual-property counterclaims.

Section 18 of the bill creates an administrative mechanism for reviewing the validity of business-method patents. The United States Court of Appeals for the Federal Circuit, in its decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), substantially expanded the patentability of business-method inventions in the United States, holding that any invention can be patented so long as it produces a “useful, concrete, and tangible result” and meets other requirements of title 35. In recent years, federal judicial retraction and congressional modification in the United States Supreme Court’s decision in *Bilski v. Kappos*, 561 U.S. 47, 130 S.Ct. 3218 (2010), have overruled State Street and retracted the patentability of business-method inventions and other abstract inventions. This expensive and expensive and time-consuming litigation and judicial retraction of U.S. patentability standards resulted in the issuance, in the interim, of a large number of business-method patents that are no longer valid. Section 18 creates a relatively inexpensive and expeditious alternative to litigation for addressing disputes concerning the validity of these patents.

This section grew out of concerns originally raised in the 110th Congress about financial institutions’ inability to take advantage of the authority to clear checks electronically pursuant to the Check Clearing for the 21st Century Act, 8 U.S.C. § 1800. The Act, without infringing the so-called Ballard patents, patents number 5,910,988 and 6,032,137. See generally Senate Report 110–259 at pages 33 through 34. Once the committee began to examine this issue in greater depth, however, the question quickly turned from whether the Ballard patents should be allowed to disrupt compliance with the Check 21 Act, to how it is that the Ballard patents were issued in the first place. These patents consist of long recitations of technology created by others to implement the supposed “invention” of transmitting and processing checks and other business records electronically. The first of these patents is to the class of cryptography inventions, but its specification itself concedes that the invention’s “controller” will “execute[] an encryption algorithm which is well known to an artisan of ordinary skill in the field.” The second patent goes further to name many of the most notorious business-method patents. Both of these patents are obviously business-method patents, and it is difficult to see how they were even novel and nonobvious and otherwise valid under the State Street standard, much less how they could survive the strictures of Bilski.

Section 18’s definition of business-method patent, and its authorization to raise prior-art challenges in the litigation for review, are designed to allow the Office to recognize a business-method patent as such despite its recitation of technological elements that are not colorably novel and nonobvious. This definition does not require the Office to institute an inquiry into the nonobviousness of a technological invention and should not be construed in a way that makes it difficult for the Office to administer. But if a technological element in a patent is not even assertedly or plausibly outside of the prior art, the Office should not rely on that element to classify the patent as not being a business-method patent. Thus when patents such as the Ballard patents recite these patents were assigned the above techniques and their implementation, they do not include “technological inventions.” In other words, the definition applies only to abstract business concepts and their implementation, whether in computers or otherwise, but does not apply to inventions relating to computer operations for other uses or the application of the natural sciences or engineering.

One feature of section 18 that has been the subject of prolonged discussion and negotiation between various groups during the last few weeks is its subsection (c), which concerns stays of litigation. The current subsection (c) reflects a compromise that requires a district judge to consider fixed criteria when deciding whether to grant a stay, and provides during the first few weeks of an interlocutory appeal of the district judge’s decision. The appeal right has been modified to provide that such review “may be de novo,” and in every case requires the Federal Circuit to en banc review of the issue. Both of these patents have been the subject of prolonged discussion whether to stay, regardless of the court in which a section 281 action is pending, paragraph (2) of subsection (c) requires consistent application of
The Judiciary Committee has held numerous hearings on the need for patent reform, and has done a lot of work over the past several Congresses. We have had a good process on the floor. We adopted several amendments to improve the bill. We had votes on amendments and a pretty good open process, and we have not seen much of in the last few years. We have a good bipartisan bill—the chairman of the Judiciary Committee has successfully brought Senators and industry together to craft this compromise legislation. Now I urge my colleagues to support final passage on this important bill so we can conclude our work in the Senate.

The America Invents Act will protect inventors’ rights and encourage innovation and investment in our economy. It will improve transparency and third party participation in the patent review process, which will strengthen patent quality and reduce costs. The bill will institute beneficial changes to the Patent and Trademark Office with administrative reforms and will give the Office fee setting authority to reduce backlogs. It will help companies do business more efficiently on an international scale.

The America Invents Act will also help small entities in their patent applications and provide for reduced fees for microentities and small businesses. The bill will prevent patents from being issued on claims for tax strategies, which can add unwarranted fees on taxpayers simply for attempting to comply with the Tax Code.

Finally, the America Invents Act will enhance operations of the Patent and Trademark Office with administrative reforms and will give the Office fee setting authority to reduce backlogs. It will end fee diversion, which will improve the ability of the Patent and Trademark Office to manage its affairs and allocate resources where they are most needed.

I thank Chairman LEAHY and Senator HATCH for their hard work on this bill. Without their leadership, we would not be where we are today. I thank Senators KYL, SESSIONS, and COBURN. They were instrumental in making improvements to the bill. I also wish to acknowledge the Senate Judiciary Committee staff for their efforts on this bill; in particular, Bruce Cohen, Aaron Cooper, and Curtis LeGeyt of Chairman LEAHY’s staff, Matt Sandgren of Senator HATCH’s staff, Joe Matal of Senator KYL’s staff, and Sarah Beth Groshart of Senator COBURN’s staff. I especially thank Kolan Davis and Rita Lari Jochum of my staff for their good work on this bill.

In conclusion, I urge my colleagues to vote for the America Invents Act. This is a bill that will spur inventions, create innovative new products and services, and stimulate job creation. This bill will help upgrade and strengthen our patent system so America can stay competitive in an increasingly global environment. I urge my colleagues to support this carefully crafted bill.

Mr. LEAHY. Mr. President, the managers’ amendment to the America Invents Act, adopted 97–2 on March 1, contained a rule of construction that nothing in section 14 of the act should be construed to imply that other business methods patents are patentable or that other business-method patents are valid. This provision was included merely as a clarification. No inference should be drawn in any way from any part of section 14 of the act about the patentability of methods of doing business.

Mr. President, I have discussed this with the Republican leadership, and we are prepared to yield back all time on both the Democratic and Republican sides.

The PRESIDING OFFICER. All time is yielded back.

Mr. LEAHY. Mr. President, I ask for the yeas and nays on the bill.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The bill was ordered to be engrossed for a third reading and was read the third time in the Senate.

The PRESIDING OFFICER. The clerk will read the pay-go statement.

The bill clerk read as follows:

Mr. Conrad: This is the Statement of Budgetary Effects of PAYGO Legislation for S. 23, as amended.

Total Budgetary Effects of S. 23 for the 5-year statutory PAYGO Scorecard: net reduction in the deficit of $490 million.

Total Budgetary Effects of S. 23 for the 10-year statutory PAYGO Scorecard: net reduction in the deficit of $750 million.

Also submitted for the RECORD as part of this statement is a table prepared by the Congressional Budget Office, which provides additional information on the budgetary effects of this Act, as follows:

CBO ESTIMATE OF THE STATUTORY PAY-AS-YOU-GO EFFECTS FOR S. 23, THE AMERICA INVENTS ACT, WITH AMENDMENTS APPROVED BY THE SENATE THROUGH MARCH 8, 2010

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NET DECREASE ((–)) IN THE DEFICIT</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>750</td>
</tr>
<tr>
<td>Statutory Pay-As-You-Go Impact</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Memorandum:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Changes in Outlays</td>
<td>0</td>
<td>2,680</td>
<td>2,690</td>
<td>2,850</td>
<td>2,960</td>
<td>3,000</td>
<td>3,090</td>
<td>3,120</td>
<td>3,150</td>
<td>3,170</td>
<td>3,200</td>
<td>13,470</td>
</tr>
<tr>
<td>Changes in Revenues</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>31,460</td>
</tr>
</tbody>
</table>

Notes: Components may not sum to totals because of rounding. The legislation would repeal Section 103D of the Patent and Trademark Office permanent authority to collect and spend fees. Sources: Congressional Budget Office.
The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall the bill, as amended, pass?

The yeas and nays have been ordered.

The clerk will call the roll.

The bill clerk called the roll.

The result was announced—yeas 95, nays 5, as follows:

The bill (S. 23), as amended, was passed, as follows:

CONGRESSIONAL RECORD — SENATE
S1381

March 8, 2011

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the "America Invents Act".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

1. SHORT TITLE; TABLE OF CONTENTS.
2. FIRST INVENTOR TO FILE.
3. Venue.
5. Post-grant review proceedings.
6. Patent Trial and Appeal Board.
7. Satellite offices.
8. Judge.
10. Inter partes review.
14. Tax strategies deemed within the meaning of section 9015(a)(1).
15. Patents and published applications effective as prior art.
17. Conditions for patentability; non-obvious subject matter.
18. Conditions for patentability; utility.
19. Conditions for patentability; written description.
20. Conditions for patentability; enablement.
21. Conditions for patentability; clear and concise.
22. Conditions for patentability; enablement.
23. Conditions for patentability; claims.
24. Designation of Detroit satellite office.
25. Effective date.
26. Budgetary effects.

The following is an extract from the Act:

"The term 'claimed invention' means the subject matter defined by a claim in a patent or an application for patent.''

"(f) Exceptions.—

"(1) DISCLOSURES MADE 1 YEAR OR LESS BEFORE THE EFFECTIVE FILING DATE OF THE CLAIMED INVENTION.—A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if—

"(A) the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or

"(B) the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.

"(2) DISCLOSURES APPEARING IN APPLICATIONS AND PATENTS shall not be prior art to a claimed invention under subsection (a)(2) if—

"(A) the subject matter disclosed was obtained directly or indirectly from the inventor or a joint inventor; or

"(B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or

"(C) the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person.

"(c) COMMON OWNERSHIP UNDER JOINT RESEARCH AGREEMENTS.—Subject matter disclosed and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person in applying the provisions of subsection (b)(2)(C) if—

"(1) the subject matter disclosed was developed and the claimed invention was made by, or on behalf of, 1 or more parties to a joint research agreement that was in effect on or before the effective filing date of the claimed invention; or

"(2) the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and

"(d) PATENTS AND PUBLISHED APPLICATIONS EFFECTIVE AS PRIOR ART.—For purposes of determining whether a patent or application for patent is prior art to a claimed invention under subsection (a)(2), such patent or application shall be considered to have been effectively filed, with respect to any subject matter described in the patent or application—

"(1) as of the actual filing date of the patent or the application for patent; or

"(2) if the patent or application for patent is entitled to claim a right of priority under section 119, 366(a), or 366(b), or to claim the benefit of an earlier filing date under section 120, 121, or 365(c), based upon 1 or more prior applications for patent, as of the filing date of the earliest such application that describes the subject matter.

"(2) CONTINUITY OF INVENT OR UNDER THE CREATE ACT.—The enactment of item 102(c) of title 35, United States Code, under the preceding paragraph is done with the same intent to promote joint research activities that was expressed, including in legislative history, through the enactment of the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108-482, the 'CREATE Act'), the amendments of which are stricken by subsection (c). The United States Patent and Trademark Office shall administer section 102(c) of title 35, United States Code, in a manner consistent with the legislative history of the CREATE Act that was relevant to its administration by the United States Patent and Trademark Office.

"(3) CONFORMING AMENDMENT.—The item relating to section 102 in the table of sections for chapter 10 of title 35, United States Code, is amended to read as follows:

"(b) CONDITIONS FOR PATENTABILITY; NON-OBSERVABLE SUBJECT MATTER.—Section 103 of title 35, United States Code, is amended to read as follows:

"103. Conditions for patentability; non-observable subject matter.

"A patent for a claimed invention may not be obtained, notwithstanding that the
claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which said invention pertains. Patentability shall not be negated by the manner in which the invention was made."

(b) DERAIVED PATENTS.—Section 291 of title 35, United States Code, is amended to read as follows:

"§ 291. Derived patents

"(a) IN GENERAL.—The owner of a patent may have relief by civil action against the owner of another patent who claims the same invention and has an earlier effective filing date if the invention claimed in such other patent is the invention named in the patent of the owner of the derived patent. The derivation of the invention claimed in the patent owned by the person seeking relief under this section shall be made from the prior art.

(b) FILING LIMITATION.—An action under this section may only be filed within 1 year after the issuance of the first patent containing a claim to the allegedly derived invention, whether such claim is to the invention as a whole or to any aspect thereof. The derivation of the derivation of the derived invention may only be filed within 1 year after the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention, shall be made under oath, and shall be supported by substantial evidence. Whether the Director determines that a petition filed under this subsection that the standards for instituting a derivation proceeding are met, the Director may institute a derivation proceeding. The determination by the Director whether to institute a derivation proceeding shall be final and non-appealable.

"(c) DETERMINATION BY PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board may defer action on a petition for a derivation proceeding until 3 months after the date on which the Director issues a patent that includes the claimed invention from an inventor named in the petition.
false marking.—
(1) in general.—section 329 of title 35, united states code, is amended—
(a) in subsection (a), by adding at the end the following:—
(‘‘The United States may sue for the penalty authorized by this subsection.’’); and
(b) by striking subsection (b) and inserting the following:—
(‘‘(b) Any person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.’’).
(2) effective date.—The amendments made by paragraph (1) shall apply in all cases, without exception, pending on or after the date of the enactment of this act.

statute of limitations.—
(1) in general.—section 32 of title 35, united states code, is amended by inserting between the third and fourth sentences the following:—‘‘A proceeding under this section shall be commenced not later than the earlier of either 10 years after the date on which the misconduct forming the basis for the proceeding occurred, or 1 year after the date on which the misconduct forming the basis for the proceeding is made known to an officer or employee of the office as prescribed in the regulations established under section 2(b)(2).’’

report to congress.—The director shall provide on a biennial basis to the judiciary committees of the senate and house of representatives a report providing a short description of incidents made known to an officer or employee of the office as prescribed in the regulations established under section 2(b)(2) of title 35, united states code, that reflect substantial evidence of misconduct before the office but for which the office was barred from commencing a proceeding under section 32 of title 35, united states code, by the time limitation established by the fourth sentence of that section.

effective date.—The amendment made by paragraph (1) shall apply in all cases in which the time period for instituting a proceeding under section 32 of title 35, united states code, had not lapsed prior to the date of the enactment of this act.

small business study.—
(1) definitions.—In this subsection—
(A) the term ‘‘Chief Counsel’’ means the Chief Counsel for Advocacy of the Small Business Administration;
(B) the term ‘‘General Counsel’’ means the General Counsel of the United States Patent and Trademark Office; and
(C) the term ‘‘small business concern’’ has the meaning given that term under section 3 of the Small Business Act (15 u.s.c. 632).
(2) study.—
(A) in general.—The Chief Counsel, in consultation with the General Counsel, shall conduct a study of the effects of eliminating the use of dates of invention in determining whether an applicant is entitled to a patent under title 35, united states code.
(B) areas of study.—The study conducted under subparagraph (A) shall include examination of the effects of eliminating the use of invention dates, including examining—
(i) how the change would affect the ability of small business concerns to obtain patents and their costs of obtaining patents;
(ii) whether the change would create, mitigate, or exacerbate any disadvantage for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns, and whether it would create any advantages for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns;
(iii) the cost savings and other potential benefits to small business concerns of the change; and
(iv) the feasibility and costs and benefits to small business concerns of alternative means of determining whether an applicant is entitled to a patent under title 35, united states code.
(3) report.—Not later than 1 year after the date of enactment of this Act, the Chief Counsel shall submit to the Committee on Small Business and Entrepreneurship and the Committee on the Judiciary of the Senate, and the Small Business Administration and the Committee on the Judiciary of the House of Representatives a report regarding the results of the study under paragraph (2).

prior user rights.—
(1) in general.—Not later than 1 year after the date of enactment of this Act, the director shall report to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives a report providing a short description of incidents made known to an officer or employee of the office as prescribed in the regulations established under section 2(b)(2) of title 35, united states code, that reflect substantial evidence of misconduct before the office but for which the office was barred from commencing a proceeding under section 32 of title 35, united states code, by the time limitation established by the fourth sentence of that section.

effective date.—The amendment made by paragraph (1) shall apply in all cases in which the time period for instituting a proceeding under section 32 of title 35, united states code, had not lapsed prior to the date of the enactment of this act.

small business study.—
(1) definitions.—In this subsection—
(A) the term ‘‘Chief Counsel’’ means the Chief Counsel for Advocacy of the Small Business Administration;
(B) the term ‘‘General Counsel’’ means the General Counsel of the United States Patent and Trademark Office; and
(C) the term ‘‘small business concern’’ has the meaning given that term under section 3 of the Small Business Act (15 u.s.c. 632).
(2) study.—
(A) in general.—The Chief Counsel, in consultation with the General Counsel, shall conduct a study of the effects of eliminating the use of dates of invention in determining whether an applicant is entitled to a patent under title 35, united states code.
(B) areas of study.—The study conducted under subparagraph (A) shall include examination of the effects of eliminating the use of invention dates, including examining—
(i) how the change would affect the ability of small business concerns to obtain patents and their costs of obtaining patents;
(ii) whether the change would create, mitigate, or exacerbate any disadvantage for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns, and whether it would create any advantages for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns;
(iii) the cost savings and other potential benefits to small business concerns of the change; and
(iv) the feasibility and costs and benefits to small business concerns of alternative means of determining whether an applicant is entitled to a patent under title 35, united states code.
(3) report.—Not later than 1 year after the date of enactment of this Act, the Chief Counsel shall submit to the Committee on Small Business and Entrepreneurship and the Committee on the Judiciary of the Senate, and the Small Business Administration and the Committee on the Judiciary of the House of Representatives a report regarding the results of the study under paragraph (2).

prior user rights.—
(1) in general.—Not later than 1 year after the date of enactment of this Act, the director shall report to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives a report providing a short description of incidents made known to an officer or employee of the office as prescribed in the regulations established under section 2(b)(2) of title 35, united states code, that reflect substantial evidence of misconduct before the office but for which the office was barred from commencing a proceeding under section 32 of title 35, united states code, by the time limitation established by the fourth sentence of that section.

effective date.—The amendment made by paragraph (1) shall apply in all cases in which the time period for instituting a proceeding under section 32 of title 35, united states code, had not lapsed prior to the date of the enactment of this act.

small business study.—
(1) definitions.—In this subsection—
(A) the term ‘‘Chief Counsel’’ means the Chief Counsel for Advocacy of the Small Business Administration;
(B) the term ‘‘General Counsel’’ means the General Counsel of the United States Patent and Trademark Office; and
(C) the term ‘‘small business concern’’ has the meaning given that term under section 3 of the Small Business Act (15 u.s.c. 632).
(2) study.—
(A) in general.—The Chief Counsel, in consultation with the General Counsel, shall conduct a study of the effects of eliminating the use of dates of invention in determining whether an applicant is entitled to a patent under title 35, united states code.
(B) areas of study.—The study conducted under subparagraph (A) shall include examination of the effects of eliminating the use of invention dates, including examining—
(i) how the change would affect the ability of small business concerns to obtain patents and their costs of obtaining patents;
(ii) whether the change would create, mitigate, or exacerbate any disadvantage for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns, and whether it would create any advantages for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns;
(iii) the cost savings and other potential benefits to small business concerns of the change; and
(iv) the feasibility and costs and benefits to small business concerns of alternative means of determining whether an applicant is entitled to a patent under title 35, united states code.
(3) report.—Not later than 1 year after the date of enactment of this Act, the Chief Counsel shall submit to the Committee on Small Business and Entrepreneurship and the Committee on the Judiciary of the Senate, and the Small Business Administration and the Committee on the Judiciary of the House of Representatives a report regarding the results of the study under paragraph (2).

prior user rights.—
(1) in general.—Not later than 1 year after the date of enactment of this Act, the director shall report to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives a report providing a short description of incidents made known to an officer or employee of the office as prescribed in the regulations established under section 2(b)(2) of title 35, united states code, that reflect substantial evidence of misconduct before the office but for which the office was barred from commencing a proceeding under section 32 of title 35, united states code, by the time limitation established by the fourth sentence of that section.

effective date.—The amendment made by paragraph (1) shall apply in all cases in which the time period for instituting a proceeding under section 32 of title 35, united states code, had not lapsed prior to the date of the enactment of this act.

small business study.—
(1) definitions.—In this subsection—
(A) the term ‘‘Chief Counsel’’ means the Chief Counsel for Advocacy of the Small Business Administration;
(B) the term ‘‘General Counsel’’ means the General Counsel of the United States Patent and Trademark Office; and
(C) the term ‘‘small business concern’’ has the meaning given that term under section 3 of the Small Business Act (15 u.s.c. 632).
(2) study.—
(A) in general.—The Chief Counsel, in consultation with the General Counsel, shall conduct a study of the effects of eliminating the use of dates of invention in determining whether an applicant is entitled to a patent under title 35, united states code.
(B) areas of study.—The study conducted under subparagraph (A) shall include examination of the effects of eliminating the use of invention dates, including examining—
(i) how the change would affect the ability of small business concerns to obtain patents and their costs of obtaining patents;
(ii) whether the change would create, mitigate, or exacerbate any disadvantage for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns, and whether it would create any advantages for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns;
(iii) the cost savings and other potential benefits to small business concerns of the change; and
(iv) the feasibility and costs and benefits to small business concerns of alternative means of determining whether an applicant is entitled to a patent under title 35, united states code.
(3) report.—Not later than 1 year after the date of enactment of this Act, the Chief Counsel shall submit to the Committee on Small Business and Entrepreneurship and the Committee on the Judiciary of the Senate, and the Small Business Administration and the Committee on the Judiciary of the House of Representatives a report regarding the results of the study under paragraph (2).

prior user rights.—
(1) in general.—Not later than 1 year after the date of enactment of this Act, the director shall report to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives a report providing a short description of incidents made known to an officer or employee of the office as prescribed in the regulations established under section 2(b)(2) of title 35, united states code, that reflect substantial evidence of misconduct before the office but for which the office was barred from commencing a proceeding under section 32 of title 35, united states code, by the time limitation established by the fourth sentence of that section.

effective date.—The amendment made by paragraph (1) shall apply in all cases in which the time period for instituting a proceeding under section 32 of title 35, united states code, had not lapsed prior to the date of the enactment of this act.
"(1) EXCEPTION.—The requirements under this section shall not apply to an individual with respect to an application for patent in which the individual is named as the inventor or joint inventor and who claims the benefit under section 120, 121, or 365(c) of the filing of an earlier-filed application, if—

(A) an oath or declaration meeting the requirements of subsection (a) was executed with respect to the individual and was filed in connection with the earlier-filed application;

(B) a substitute statement meeting the requirements of subsection (c) was filed in the earlier filed application with respect to the individual; or

(C) an assignment meeting the requirements of subsection (e) was executed with respect to the earlier-filed application by the individual and was recorded in connection with the earlier-filed application.

"(2) Copies of Oaths, Declarations, Statements, or Assignments.—Notwithstanding paragraph (1), the Director may require that a copy of the executed oath or declaration, the substitute statement, or the assignment filed in the earlier-filed application be included in the later-filed application.

"(h) Supplemental and Corrected Statements; Filing Additional Statements.—

(1) Any person making a statement required under this section may withdraw, replace, or otherwise correct the statement at any time. If a change is made in the statement, the inventor requires filing of 1 or more additional statements under this section, the Director shall establish regulations under which such additional statements may be filed.

(2) Supplemental statements not required.—If an individual has executed an oath or declaration meeting the requirements of subsection (a) or an assignment meeting the requirements of subsection (e) with respect to an application for patent, the Director may not thereafter require that individual to make any additional oath, declaration, or other statement equivalent to those required by this section in connection with the application for patent or any patent issuing thereon.

(3) Savings clause.—No patent shall be invalid or unenforceable based upon the failure to comply with a requirement under this section if the failure is remedied as provided under paragraph (1).

(4) Acknowledgment of penalties.—Any declaration or statement filed pursuant to this section shall contain an acknowledgment that any willful false statement made in such declaration or statement is punishable under title 18 by fine or imprisonment of not more than 5 years, or both.

(5) Relationship to divisional applications.—Section 121 of title 35, United States Code, is amended by striking "If a divisional application is filed pursuant to this section if the failure is remedied as provided under paragraph (1)."

(6) Relationship to divisional applications.—Section 121(a) of title 35, United States Code, is amended—

(A) by striking "divisional application and all that follows through "inventor."

(B) by striking "or divisional application and all that follows through "inventor."

(C) by striking "and oath" each place it appears.

(4) Conforming amendment.—The item relating to the table of sections for chapter 11 of title 35, United States Code, is amended to read as follows:

"115. Inventor's oath or declaration.

(4) in the first paragraph, by striking "The specification" and inserting "(a) In General.—The specification"; and

(5) in the second paragraph, by striking "of carrying out his invention" and inserting "or joint inventor of carrying out the invention";

(6) in the third paragraph, by striking "A claim" and inserting "(c) Form.—A claim";

(7) in the fourth paragraph, by striking "Subject to the following paragraph," and inserting "(d) Reference in Dependent Forms.—Subject to the following paragraph,"; and

(8) in the first paragraph—

(A) by striking "The specification" and inserting "(a) In General.—The specification"; and

(B) by striking "of carrying out his invention" and inserting "or joint inventor of carrying out the invention";

(2) the petition is accompanied by paying the fees required by this section.

(3) The petition shall be accompanied by a drawing, in such detail as is necessary to show what the invention or the improvements are and by a written description of the same, as required by section 112, as amended by this Act.

(4) The petition shall contain a description of the prior art consisting of patents or printed publications.

(5) The petition shall contain a declaration as to whether the invention is new and nonobvious and whether any prior art consisting of patents or printed publications is shown to be prior to the invention.

"(f) Filing deadline.—A petition for post-grant review shall be filed after the later of—

(1) 9 months after the grant of a patent or issuance of a reissue of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

"§ 312. Petitions

(a) Requirements of Petition.—A petition filed under section 312 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 14.

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim identified;

(4) a copy of the patent and printed publication that the petition challenges, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim identified;

(5) each ground of unpatentability under section 102 or 103 is set forth in a separate statement; and

(6) the petition includes the signature of one or more of the inventors of the patent or an attorney for the inventor.

(3) Post-grant review proceedings.—(a) In General.—Subject to the provisions of this chapter, a person who is not the patent owner may file with the Office a petition to institute an inter partes review for a patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(4) Appeal.—A decision of the Director, on review of a petition for inter partes review, shall be final and binding on the parties.

"§ 313. Preliminary response to petition.

"§ 314. Institution of inter partes review.

"§ 315. Relation to other proceedings or actions.

"§ 316. Conduct of inter partes review.

"§ 317. Settlement.

"§ 318. Determination of the board.

"§ 319. Appeal.
§ 313. Preliminary response to petition

(a) CONTENT OF RESPONSE.—A preliminary response to a petition for inter partes review shall set forth reasons why no inter partes review shall be instituted based upon the failure of the petition to meet any requirement of this chapter.

§ 314. Institution of inter partes review

(a) THRESHOLD.—The Director may not authorize an inter partes review to commence unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 312 shows that there is a reasonably likely that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) CONTENT OF RESPONSE.—A preliminary response to a petition for inter partes review shall set forth reasons why no inter partes review shall be instituted based upon the failure of the petition to meet any requirement of this chapter.

§ 316. Considerations in deciding whether to institute an inter partes review

(a) CONTENT OF RESPONSE.—A preliminary response to a petition for inter partes review shall set forth reasons why no inter partes review shall be instituted based upon the failure of the petition to meet any requirement of this chapter.

§ 311. The petition

(a) CONTENT OF PETITION.—The petition for inter partes review shall be in writing and shall show:

(1) the name and address of the petitioner and real party in interest, their counsel, if any, and a statement of the relationship of the petitioner to each patent owner;

(2) a clear and concise statement of the grounds for setting forth each challenged claim as being patentable;

(3) a statement of the evidence and arguments in support of the grounds set forth in paragraphs (1) and (2) of this subsection; and

(4) in accordance with section 2(b)(2), establishing and governing inter partes review under this chapter, the efficient administration of the Office, the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(b) FILING.—Any petition for inter partes review shall be in writing and shall be filed with the Director.

(c) NOTICE.—The Director shall notify the petitioner and each patent owner of the petition, in writing, within 3 months after the petition is filed.

§ 315. Relation to other proceedings or actions

(a) INFRINGER’S ACTION.—An inter partes review instituted under this chapter shall be final and nonappealable.

(b) AGREEMENTS IN WRITING.—Any agreement in writing, including a stipulation or compromise, made in connection with the inter partes review, which provides for the dismissal or settlement of the inter partes review, and which may be permitted by regulations prescribed by the Director, may be enforced by an order of the Director, in his discretion, on the petition of any party to the proceeding, such as to harden or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding.

(c) JUDGMENT.—If any judgment or decree of any court or other tribunal in any civil action or other proceeding involving the patent is before the Office, the judgment or decree shall have no effect as to invalidity or patentability of the patent in the proceedings before the Office.

§ 316. Considerations in deciding whether to institute an inter partes review

(a) CONTENT OF RESPONSE.—A preliminary response to a petition for inter partes review shall set forth reasons why no inter partes review shall be instituted based upon the failure of the petition to meet any requirement of this chapter.

§ 318. Decision of the board

(a) FINAL WRITTEN DECISION.—If an inter partes review is instituted under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any one or more claims that were challenged in the inter partes review, and shall be made available to the public as part of the proceeding before the reissue of the proceeding.

(b) CONSIDERATIONS.—In determining whether to institute an inter partes review under this section, the Director shall consider the effect of any such regulation on the administration of the Office, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 5, conduct each proceeding authorized by the Director.

(d) AMENDMENT OF THE PATENT.—If a final written decision in an inter partes review is issued not later than 1 year after the date on which the Director issues the new claim after the date on which the Director issues the new claim, and if the Director determines that the patent owner is entitled to an amendment to the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims.

§ 317. Settlement

(a) IN GENERAL.—An inter partes review instituted under this chapter shall be settled by agreement or by stipulation entered into in writing, or by the Director.

(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in paragraph (a), providing for the exchange and submission of confidential information, may be enforced by an order of the Director, in his discretion, on the petition of any party to the proceeding.

(c) JUDGMENT.—If any judgment or decree of any court or other tribunal in any civil action or other proceeding involving the patent is before the Office, the judgment or decree shall have no effect as to invalidity or patentability of the patent in the proceedings before the reissue of the proceeding.

§ 319. Appeal

(a) APPEAL.—Any party to an inter partes review instituted under this chapter may appeal to the United States Court of Appeals for the Federal Circuit.

(b) ISSUANCE OF ORDER.—The Court of Appeals shall issue an order compelling the Director to issue a final written decision with respect to the patentability of any one or more claims that were challenged in the inter partes review.

(c) JUDGMENT.—If any judgment or decree of any court or other tribunal in any civil action or other proceeding involving the patent is before the Office, the judgment or decree shall have no effect as to invalidity or patentability of the patent in the proceedings before the reissue of the proceeding.

§ 320. Injunctions

(a) INJUNCTION.—If the Director determines that a party to an inter partes review of a patent is engaging in acts that are contributory or direct infringement of the patent, or both, and if the Director determines that the party is likely to continue such acts, the Director may order such party to cease such acts.

(b) ISSUANCE OF ORDER.—The Director shall issue an order compelling the party to cease such acts.

(c) JUDGMENT.—If any judgment or decree of any court or other tribunal in any civil action or other proceeding involving the patent is before the Office, the judgment or decree shall have no effect as to invalidity or patentability of the patent in the proceedings before the reissue of the proceeding.

§ 321. Discovery

(a) DISCOVERY.—During an inter partes review under this chapter, the following may be discovered:

(1) the discovery of witnesses submitting affidavits or declarations; and

(2) any other information that is otherwise necessary in the interest of justice.

(b) PRODUCTION OF DOCUMENTS.—The Director may order any person or entity to produce any document that is reasonably likely to be relevant to the prosecution of the inter partes review.

§ 322. Final Written Decision

(a) IN GENERAL.—If an inter partes review is instituted under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any one or more claims that were challenged in the inter partes review, and shall be made available to the public as part of the proceeding before the reissue of the proceeding.

(b) CONSIDERATIONS.—In determining whether to institute an inter partes review under this section, the Director shall consider the effect of any such regulation on the administration of the Office, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 5, conduct each proceeding authorized by the Director.

(d) AMENDMENT OF THE PATENT.—If a final written decision in an inter partes review is issued not later than 1 year after the date on which the Director issues the new claim after the date on which the Director issues the new claim, and if the Director determines that the patent owner is entitled to an amendment to the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims.

§ 323. Review

(a) APPEAL.—Any party to an inter partes review instituted under this chapter may appeal to the United States Court of Appeals for the Federal Circuit.

(b) ISSUANCE OF ORDER.—The Court of Appeals shall issue an order compelling the Director to issue a final written decision with respect to the patentability of any one or more claims that were challenged in the inter partes review.

(c) JUDGMENT.—If any judgment or decree of any court or other tribunal in any civil action or other proceeding involving the patent is before the Office, the judgment or decree shall have no effect as to invalidity or patentability of the patent in the proceedings before the reissue of the proceeding.

§ 324. Injunctions

(a) INJUNCTION.—If the Director determines that a party to an inter partes review of a patent is engaging in acts that are contributory or direct infringement of the patent, or both, and if the Director determines that the party is likely to continue such acts, the Director may order such party to cease such acts.

(b) ISSUANCE OF ORDER.—The Director shall issue an order compelling the party to cease such acts.

(c) JUDGMENT.—If any judgment or decree of any court or other tribunal in any civil action or other proceeding involving the patent is before the Office, the judgment or decree shall have no effect as to invalidity or patentability of the patent in the proceedings before the reissue of the proceeding.

§ 325. Discovery

(a) DISCOVERY.—During an inter partes review under this chapter, the following may be discovered:

(1) the discovery of witnesses submitting affidavits or declarations; and

(2) any other information that is otherwise necessary in the interest of justice.

(b) PRODUCTION OF DOCUMENTS.—The Director may order any person or entity to produce any document that is reasonably likely to be relevant to the prosecution of the inter partes review.

§ 326. Final Written Decision

(a) IN GENERAL.—If an inter partes review is instituted under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any one or more claims that were challenged in the inter partes review, and shall be made available to the public as part of the proceeding before the reissue of the proceeding.

(b) CONSIDERATIONS.—In determining whether to institute an inter partes review under this section, the Director shall consider the effect of any such regulation on the administration of the Office, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 5, conduct each proceeding authorized by the Director.

(d) AMENDMENT OF THE PATENT.—If a final written decision in an inter partes review is issued not later than 1 year after the date on which the Director issues the new claim after the date on which the Director issues the new claim, and if the Director determines that the patent owner is entitled to an amendment to the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims.
inserting "the showing required by sub-
section of patentability has been raised," and
at least 1 of the claims challenged in the re-
view, or on or after the date of the enactment of this Act, but prior to the effective date of sub-
section (a).
(d) POST-GRA NT REVIEW.—Part III of title 35, United States Code, is amended by adding at the end the following:

"CHAPTER 32—POST-GRA NT REVIEW

§ 321. Post-grant review

(a) IN GENERAL.—Subject to the provi-
sions of this chapter, a person who is not the patent owner may file with the Office a peti-
tion to institute a post-grant review for a patent. The Director shall establish, by regula-
tion, fees to be paid by the person request-
 ing the review, in such amounts as the Direc-
tor determines to be reasonable, considering the aggregate costs of the post-grant review.
(b) SCOPE.—A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under par-
agraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).
(c) FILING DEADLINE.—A petition for a post-grant review shall be filed not later than 9 months after the grant of the patent or issuance of a reissue patent.

§ 322. Petitions

(a) REQUIREMENTS OF PETITION.—A peti-
tion filed under section 321 may be consid-
ered only if—

(1) the petition is accompanied by pay-
ment of the fee established by the Director under section 323;

(2) the petition identifies, in writing and in any ground that could be raised under para-
graph (2) or (3) of section 282(b) (relating to
invalidity of the patent or any claim).
(c) FILING DEADLINE.—A petition for a post-grant review shall be filed not later than 9 months after the grant of the patent or issuance of a reissue patent.

§ 323. Preliminary petition

(a) PRELIMINARY RESPONSE.—If a post-
grant review petition is filed under section 321, the patent owner shall have the right to
file a preliminary response within 2 months of the filing of the petition.
(b) CONTENT OF RESPONSE.—A preliminary re
sponse to a petition for post-grant review shall be in writing, and forthwith upon receipt of
the review should be instituted based upon the failure of the petition to meet any require-
ment of this chapter.

§ 324. Institution of post-grant review

(a) THRESHOLD.—The Director may not authorize a post-grant review to commence unless the Director determines that the in-
formation presented in the petition, if such information is not rebutted, would demon-
strate that it is more likely than not that at least 1 of the claims challenged in the pe-
tition is unpatentable.

(b) ADDITIONAL GROUNDS.—The deter-
mination required under subsection (a) may also be satisfied by a showing that the peti-
tion raises a novel or unsettled legal ques-
tion that is important to other patents or patent applications.

(c) TIMING.—The Director shall determine whether to institute a post-grant review under this chapter within 3 months after re-
ceiving a preliminary response under section 323 or, if none is filed, the expiration of the time for filing such a response.
(d) NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director’s determination under sub-
section (a) or (b), as applicable, and shall provide notice available to the public as soon as is prac-
ticable. The Director shall make each notice of the institution of a post-grant review available to the public. Such notice shall list the date on which the review shall com-
ence.

(2) NO APPEAL.—The determination by the Director whether to institute a post-
grant review under this section shall be final and nonappealable.

§ 325. Relation to other proceedings or ac-
tions

(a) INFRINGEMENT’S ACTION.—A post-grant
review may not be instituted or maintained if the petitioner or real party in interest has filed a civil action challenging the validity of the claim of the patent at issue.

(b) PRELIMINARY INJUNCTIONS.—If a civil
action alleging infringement of a patent is filed within 3 months of the grant of the pat-
ent, such action may not be maintained on the patent owner’s motion for a prelimi-
nary injunction against infringement of the patent on the basis that a petition for post-
grant review has been filed after that such a proceeding has been instituted.

(c) JOINER.—If more than 1 petition for a post-grant review is properly filed against
the same patent and the Director determines that more than 1 of these petitions warrants the institution of a post-grant review under section 324, the Director may consolidate such reviews into a single post-grant review.

(d) MULTIPLE PROCEEDINGS.—Notwith-
standing sections 159(a), 251, and 252, and chapter 31, during the pendency of any post-
grant review, if another proceeding or mat-
ter involving the patent is before the Office, the Director may determine the manner in which any post-grant review or other pro-
ceeding or matter may proceed, including providing for stay, transfer, consolidation, or
termination of any such matter or pro-
ceeding. In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the pe-
tition if request is uncalled for or sub-
stantially the same prior art or arguments previously were presented to the Office.

(e) ESTOPPEL.—PETITIONS BEFORE THE OFFICE.—The petitioner in a post-grant review under this chapter, or his real party in interest or
privy, may not request or maintain a proceeding before the Office with respect to a claim on any ground that the petitioner raised or reasonably could have raised during a post-grant review of that claim, and may adjust the time periods in this paragraph in the case of joinder under section 328(c).

(3) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each proceeding authorized by this section.

(4) AMENDMENT OF THE PATENT.—

(A) IN GENERAL.—A post-grant review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(1) Cancel any challenged patent claim.

(2) For each challenged claim, propose a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the request of a petitioner and the patent owner, if the request is made within the time set forth in subsection (d) of this section.

(3) SCOPE OF CLAIMS.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(3) EVIDENTIARY STANDARDS.—In a post-grant review instituted under this chapter, the petitioner shall have the burden of proving the unpatentability of a challenged claim; and the burden of proving patentability, if the petitioner remains in the post-grant review, the Office may terminate the post-grant review and proceed to a final written decision, as if this Act had not been enacted.

§ 327. Settlement

(A) IN GENERAL.—A post-grant review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the post-grant review is terminated with respect to a petitioner under this section, no estoppel shall arise with respect to that petitioner.

(3) Pending Interferences.—The Director shall determine the proceedings under which interferences commenced before the effective date of subsection (d) are to proceed, including whether any such interference is to be dismissed without prejudice to the filing of a petition for a post-grant review under chapter 32 of title 35, United States Code, as added by subsection (d) of this section.

(4) Provision of Protective Orders.—The Director may provide protective orders necessary to carry out the provisions of this Act and, except as provided in regulations issued under paragraph (1), in regulations issued under paragraph (2) that are effective before the effective date of subsection (d), the Director may deem the Patent Trial and Appeal Board to be the Board that is authorized to be the Board under the Act.

(5) Citation of Prior Art and Written Statements.—

(A) IN GENERAL.—Section 301 of title 35, United States Code, is amended to read as follows:

((4) a Final Written Decision.—If a post-grant review is instituted and not dismissed under this chapter, the petitioner shall be notified of the final written decision within 12 months of the date of institution of the proceeding, and the decision may not be appealed.

(b) Certificate.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent determined to be patentable, and incorporating in the patent, by operation of the certificate any new or amended claim determined to be patentable.

(c) Data on Length of Review.—As a party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 328(a) may appeal the decision pursuant to sections 41 through 44. Any party to the post-grant review shall have the right to be a party to the appeal.

(d) Regulations and Effectiveness Date.—The table of chapters for part III of title 35, United States Code, is amended by adding at the end the following:

32. Post-Grant Review 312.
(2) statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent.

(b) OFFICIAL FILE.—If the person citing prior art or written statements pursuant to subsection (a) explains in writing the pertinentness of applying the prior art or written statements to at least 1 claim of the patent, the citation of the prior art or written statements to the extent thereof shall become a part of the official file of the patent.

(c) ADDITIONAL INFORMATION.—A party that submits written statements pursuant to subsection (a)(2) shall include any other documents, pleadings, or evidence from the proceeding in which the statement was filed that are relevant to the written statement.

(d) LIMITATIONS.—A written statement submitted pursuant to subsection (a)(2), and additional information submitted pursuant to subsection (c), shall not be considered by the Office for any purpose other than to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324. If any such written statement or additional information is subject to an applicable protective order, it shall be redacted to exclude information that is subject to that order.

(e) CONFIDENTIALITY.—Upon the written request of the person citing prior art or written statements pursuant to subsection (a)(2), that person’s identity shall be excluded from the patent file and kept confidential.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall take effect 1 year after the date the enactment of this Act and shall apply to patents issued before, on, or after that effective date.

(h) REEXAMINATION.—

(1) DETERMINATION BY DIRECTOR.—

(A) IN GENERAL.—Section 303(a) of title 35, United States Code, is amended to read as follows:

“(a) EXAMINATIONS.—An applicant who is dissatisfied with a final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board’s decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his right to appeal from a decision entered by the Patent and Trademark Office, addressing all of the issues raised in the appeal. The Director shall be deemed to extend to inter partes reexaminations that are referenced to section 143 of title 35, United States Code, the jurisdiction of the Federal Circuit to entertain appeals of decisions of the Patent Trial and Appeal Board in reexaminations under the amendment made by subsection (c)(3), to issue a written decision of the Director to take effect on the date on which the Director initially appointed the administrative patent judge on the basis of the judge’s having been originally appointed by the court to which the administrative patent judge so appointed was acting as a de facto office.”

(B) ADMINISTRATIVE APPEALS.—Section 134 of title 35, United States Code, is amended—

(1) in subsection (b), by striking “any reexamination proceeding” and inserting “a reexamination proceeding”;

(2) by striking subsection (c).

(c) CIRCUIT APPEALS.—

(1) IN GENERAL.—Section 141 of title 35, United States Code, is amended to read as follows:

“141. Appeal to the Court of Appeals for the Federal Circuit

“(a) EXAMINATIONS.—An applicant who is dissatisfied with a final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board’s decision to the United States Court of Appeals for the Federal Circuit. If filing such an appeal, the applicant waives his right to proceed under section 145.

“(b) REEXAMINATIONS.—A patent owner who is dissatisfied with a final decision in an appeal of a reexamination to the Patent Trial and Appeal Board under section 134(b) may appeal the Board’s decision to the United States Court of Appeals for the Federal Circuit.

“(c) POST-GRANT AND INTER PARTES REVIEWS.—A party to a post-grant or inter partes review proceeding shall appeal from a decision entered by the Patent and Trademark Office, addressing all of the issues raised in the appeal. The Director shall be deemed to extend to inter partes reexaminations that are referenced to section 143 of title 35, United States Code, the jurisdiction of the Federal Circuit to entertain appeals of decisions of the Patent Trial and Appeal Board in reexaminations under the amendment made by subsection (c)(3) to issue a written decision of the Director to take effect on the date on which the Director initially appointed the administrative patent judge on the basis of the judge’s having been originally appointed by the court to which the administrative patent judge so appointed was acting as a de facto office.”

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—Section 306 of title 35, United States Code, is amended by striking “145” and inserting “144”.

(B) EFFECTIVE DATE.—The amendment made by this paragraph shall take effect 1 year after the date of enactment of this Act and shall apply to patent reexaminations that are pending before, on, or after the date of enactment of this Act.

(2) JURISDICTION.—Section 1295(a)(4)(A) of title 28, United States Code, is amended to read as follows:

“(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to patent applications, derivation proceedings, reexaminations, post-grant reviews, and inter partes reviews at the instance of a party who exercised his right to participate in a proceeding before or appeal to the Board, except that an applicant loses any right to a derivation proceeding if he may also have remedy by civil action pursuant to section 145 of title 35. An appeal under this subparagraph of a decision of the Board with respect to a derivation proceeding shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35.”;

(3) PROCEEDINGS ON APPEAL.—

(a) BY REPEALING THE SECOND OF THE TWO IDENTICAL SUBSECIONS.

(B) EFFECTIVE DATE.—The amendments made by this section shall take effect 1 year after the date of the enactment of this Act and shall apply to proceedings commenced on or after that effective date, except that—

(1) the extension of jurisdiction to the United States Court of Appeals for the Federal Circuit to entertain appeals of decisions of the Patent Trial and Appeal Board in reexaminations under the amendment made by subsection (c)(2) shall have no effect on the date of enactment of this Act and shall extend to any decision of the Board of Patent Appeals and Interferences with respect to a reexamination that is entered before, on, or after the date of the enactment of this Act;

(2) the provisions of sections 6, 134, and 141 of title 35, United States Code, in effect on the day prior to the date of the enactment of this Act shall continue to apply to inter partes reexaminations that are requested under section 311 prior to the date that is 1 year after the date of the enactment of this Act;

(3) the Patent Trial and Appeal Board may be deemed to extend to the Board of Patent Appeals and Interferences for purposes of appeals of inter partes reexaminations that are requested under section 311 prior to the date that is 1 year after the date of the enactment of this Act; and

(4) the Director’s right under the last sentence of section 143 of title 35, United States Code, is amended to add the following:

“(e) PREISSUANCE SUBMISSIONS BY THIRD PARTIES.—

(1) IN GENERAL.—Any third party may submit for consideration and inclusion in the record of a patent application, any patent, published patent application, or other printed publication of potential relevance to the application of the amendment of any such written submission is made in writing before the earlier of—

(1) on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 138(a);

(2) review appeals of reexaminations pursuant to section 134(b);

(3) conduct derivation proceedings pursuant to section 135; and

(4) conduct post-grant reviews and post-grant review pursuant to chapters 31 and 32.

(c) Each appeal, derivation proceeding, post-grant review, and inter partes review shall be decided by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.

(d) The Secretary of Commerce may, in his discretion, deem the appointment of an administrative patent judge who, before the effective date of this Act, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge on the basis of the judge’s having been originally appointed by the court to which the administrative patent judge so appointed was acting as a de facto office.”

(2) by striking subsection (c).

(3) Post-Grant and Inter Partes Reviews.—A party to a post-grant or inter partes review proceeding shall appeal from a decision entered by the Patent and Trademark Office, addressing all of the issues raised in the appeal. The Director shall be deemed to extend to inter partes reexaminations that are referenced to section 143 of title 35, United States Code, the jurisdiction of the Federal Circuit to entertain appeals of decisions of the Patent Trial and Appeal Board in reexaminations under the amendment made by subsection (c)(3) to issue a written decision of the Director to take effect on the date on which the Director initially appointed the administrative patent judge on the basis of the judge’s having been originally appointed by the court to which the administrative patent judge so appointed was acting as a de facto office.”

(2) JURISDICTION.—Section 1295(a)(4)(A) of title 28, United States Code, is amended to read as follows:

“(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to patent applications, derivation proceedings, reexaminations, post-grant reviews, and inter partes reviews at the instance of a party who exercised his right to participate in a proceeding before or appeal to the Board, except that an applicant loses any right to a derivation proceeding if he may also have remedy by civil action pursuant to section 145 of title 35. An appeal under this subparagraph of a decision of the Board with respect to a derivation proceeding shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35.”;

(3) PROCEEDINGS ON APPEAL.—

(a) BY REPEALING THE SECOND OF THE TWO IDENTICAL SUBSECIONS.

(B) EFFECTIVE DATE.—The amendments made by this section shall take effect 1 year after the date of the enactment of this Act and shall apply to proceedings commenced on or after that effective date, except that—

(1) the extension of jurisdiction to the United States Court of Appeals for the Federal Circuit to entertain appeals of decisions of the Patent Trial and Appeal Board in reexaminations under the amendment made by subsection (c)(2) shall have no effect on the date of enactment of this Act and shall extend to any decision of the Board of Patent Appeals and Interferences with respect to a reexamination that is entered before, on, or after the date of the enactment of this Act;

(2) the provisions of sections 6, 134, and 141 of title 35, United States Code, in effect on the day prior to the date of the enactment of this Act shall continue to apply to inter partes reexaminations that are requested under section 311 prior to the date that is 1 year after the date of the enactment of this Act; and

(4) the Director’s right under the last sentence of section 143 of title 35, United States Code, is amended to add the following:

“(e) PREISSUANCE SUBMISSIONS BY THIRD PARTIES.—

(1) IN GENERAL.—Any third party may submit for consideration and inclusion in the record of a patent application, any patent, published patent application, or other printed publication of potential relevance to the application of the amendment of any such written submission is made in writing before the earlier of—
“(A) the date a notice of allowance under section 151 is given or mailed in the application for patent; or

“(B) the later of

“(i) the date on which the application for patent is first published under section 122 by the Office, or

“(ii) the date of the first rejection under section 122(b)(8) by the examiner during the examination of the application for patent.

“(2) OTHER REQUIREMENTS.—Any submission under paragraph (1) shall—

“(A) set forth a concise description of the asserted relevance of each submitted document;

“(B) be accompanied by such fee as the Director may prescribe; and

“(C) include a statement by the person making such submission affirming that the submission was made in compliance with this section.

“(b) EFFECTIVE DATE.—The amendments made by this section shall take effect 1 year after the date of the enactment of this Act and shall apply to patent applications filed before, on, or after that effective date.

SEC. 7. VENUE.

(a) TECHNICAL AMENDMENTS RELATING TO VENUE.—Sections 32, 145, 146, 154(b)(4)(A), and 293 of title 35, United States Code, and section 252 of title 29, United States Code, are each amended by striking ‘‘United States District Court for the District of Columbia’’ each place that term appears and inserting ‘‘United States District Court for the Eastern District of Virginia’’.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on, and shall apply to, actions commenced on, or after that date.

SEC. 8. FEES IN GENERAL.

(a) FEES SETTING.—

(1) IN GENERAL.—The Director shall have authority to set or adjust by rule any fee established or charged under title 35, United States Code, and the Trademark Act of 1946 (15 U.S.C. 1051 et seq.), the Federal Trademark Act of 1946; or the ‘‘Lanham Act’’ (15 U.S.C. 1051(b)(4)), are each amended by striking ‘‘United States District Court for the District of Columbia’’ each place that term appears and inserting ‘‘United States District Court for the Eastern District of Virginia’’.

(2) SMALL AND MICRO ENTITIES.—The fees established under paragraph (1) for filing, searching, examining, issuing, appealing, and maintaining an application and patents shall be reduced by 50 percent with respect to their application to any small entity that qualifies for reduced fees under section 41(h)(1) of title 35, United States Code, and shall be reduced by 75 percent with respect to their application to any micro entity as defined in section 123 of that title.

(b) FEES IN CERTAIN FISCAL YEARS.—In any fiscal year, the Director—

(A) shall consult with the Patent Public Advisory Committee and the Trademark Public Advisory Committee, the United States Patent and Trademark Office, the United States courts on the desirability of reducing any fees described in paragraph (1); and

(B) after the consultation required under subparagraph (A), may reduce such fees.

(c) ROLE OF THE PUBLIC ADVISORY COMMITTEE.—The Director shall—

(A) submit to the Patent Public Advisory Committee or the Trademark Public Advisory Committee, or both, as appropriate, any proposed fee under paragraph (1) not less than 45 days and all that applies any proposed fee in the Federal Register;

(B) provide the relevant advisory committee with a public hearing relating to such proposal; and

(C) make the relevant advisory committee to make available to the public a written report detailing the comments, advice, and recommendations of the committee regarding any proposed fee;

(D) consider and analyze any comments, advice, or recommendations received from the relevant advisory committee before setting or adjusting any fee; and

(E) notify, through the Chair and Ranking Member of the Senate and House Judiciary Committees, any relevant advisory committee of such public hearing, including by offering the use of Office resources to notify and promote the hearing to the public and interested stakeholders.

(2) OTHER REQUIREMENTS.—Any submission under this subsection may diminish—

(A) the date a notice of allowance under section 132 of any claim by the examiner during the examination of the application for patent; or

(B) the date the first rejection under section 122(b)(8) by the examiner during the examination of the application for patent.

(3) FEES IN EFFECTIVE DATE.—The amendments made by this section shall take effect upon, on, or after that effective date.

(4) ELECTRONIC FILING INCENTIVE.—

(A) IN GENERAL.—Any rules prescribed under this subsection shall be published in the Federal Register.

(B) RATIONALE.—Any proposal for a change in fees under this section shall be published in the Federal Register; and

(C) PUBLIC COMMENT PERIOD.—Following the publication of any proposed fee in the Federal Register pursuant to subparagraph (A), the Director shall seek public comments for a period of not less than 45 days.

(5) RULE OF CONSTRUCTION.—No rules prescribed under this subsection may diminish—

(A) an applicant’s rights under title 35, United States Code, or the Trademark Act of 1946; or

(B) any rights under a ratified treaty.

(b) FEES IN GENERAL.—The Director shall have authority to set or adjust by rule any fee established or charged under title 35, United States Code, or the Trademark Act of 1946; or the ‘‘Lanham Act’’ (15 U.S.C. 1051(b)(4)), by striking ‘‘During’’ and all that follows through ‘‘60 days before filing’’ and inserting ‘‘Subsection’’; and

(B) striking ‘‘shall be administered as though that subsection reads’’ and inserting ‘‘is amended to read’’;

(C) in subsection (d) of section 801, by striking ‘‘100 days before filing’’ and all that follows through ‘‘2006, subsection and inserting ‘Subsection’’; and

(D) in subsection (e) of section 801, by striking ‘‘100 days before filing’’ and all that follows through ‘‘2006, subsection and inserting ‘Subsection’; and

SEC. 9. FEES IN GENERAL—EFFECTIVE DATE.

(a) IN GENERAL.—Notwithstanding any other provision of this section, a fee of $400 shall be established for each application for an original patent, except for a design, plant, or provisional application, that is filed before the effective date.

(b) EFFECTIVE DATE.—This subsection shall become effective 60 days after the date of the enactment of this Act.

(c) REDUCTION IN FEES FOR SMALL ENTITY PATENTS.—The Director shall reduce fees for providing prioritized examination of utility applications by 50 percent for small entities that qualify for reduced fees under section 41(h)(1) of title 35, United States Code, so long as the fees of the prioritized examination program are set to recover the estimated cost of the program.

(d) EFFECTIVE DATE.—Except as provided in subsection (h), the provisions of this section shall take effect upon the date of the enactment of this Act.

SEC. 10. SUPPLEMENTAL EXAMINATION.

(a) IN GENERAL.—Chapter 25 of title 35, United States Code, is amended by adding at the end the following:

“257. Supplemental examinations to consider, reconsider, or correct information

(a) IN GENERAL.—A patent owner may request supplemental examination of a patent in the Office to consider, reconsider, or correct information believed to be relevant to

March 8, 2011

CONGRESSIONAL RECORD — SENATE S1389

S1389

H.rg. 112-212

SROBERTS ANCHOR

S260

CONGRESSIONAL RECORD — SENATE

S1389

S260
the patent. Within 3 months of the date a request for supplemental examination meeting the requirements of this section is received, the Director shall conduct the supplemental examination, and shall conclude such examination by issuing a certificate indicating whether the information presented in the request raises a substantial new question of patentability, whether the information is correct, and whether the information presented in the reexamination, the Director shall order reexamination of the patent. The reexamination shall be conducted according to procedures established by the Director, except that the patent owner shall not have the right to file a statement pursuant to section 304. During the reexamination, the Director shall address any new question of patentability identified during the supplemental examination, notwithstanding the limitations therein relating to patents and printed publication or any other provision of chapter 30.

(c) EFFECT.—

(1) IN GENERAL.—A patent shall not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was inadvertently considered during a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent. The making of any request for supplemental examination by the patent owner shall not be relevant to the determination of the patentability of the patent under section 282.

(2) EXCEPTIONS.—

(A) PRIOR APPLICATIONS.—This subsection shall not apply to an application filed prior to the date on which the action is brought.

(B) PATENT ENFORCEMENT ACTIONS.—In an action brought under section 337(a) of the Tariff Act of 1930 (19 U.S.C. 1337(a)), or section 281 of this title, this subsection shall not apply to any defense raised in the action that is raising the absence of such prior application. The making of any request for supplemental examination by the patent owner shall not be relevant to the determination of the patentability of the patent under section 282.

(d) FEES AND REGULATIONS.—The Director shall—

(1) by repealing the first sentence; and

(2) in the second sentence, by striking "state" and inserting "State".

(2) EXCEPTIONS.—

(A) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the particular application to such State public institution;

(B) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the particular application to such State public institution;
shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or

(B) any requirement of section 251.

(c) CONFIRMING AMENDMENT—Sections 119(e)(1) and 120 of title 35, United States Code, are each amended by striking “the first paragraph of section 132 of this title and inserting “the first paragraph of section 112(a)”.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act and shall apply to proceedings commenced on or after that date.

SEC. 18. TECHNICAL AMENDMENTS.

(a) JOINT INVENTIONS.—Section 116 of title 35, United States Code, is amended—

(1) in the first paragraph, by striking "(a) Joint Inventor.—If a joint inventor"; and

(2) in the second paragraph, by striking "(a) Joint Inventor.—If a joint inventor" and inserting "(a) Joint Inventor.—Whoever;

(3) in the third paragraph—

(A) by striking "Whenever" and inserting "(a) Correction of Errors in Application. When—;

(B) by striking "and such error arose without any deceptive intent on his part.";

(c) FILING IN FOREIGN COUNTRY.—Section 184 of title 35, United States Code, is amended—

(1) in the first paragraph—

(A) by striking "Except when" and inserting "(a) Correction of Errors in Application. When—;

(B) by striking "and without deceptive intent";

(2) in the second paragraph, by striking "(b) Correction of Errors in Application. When—;

(3) in the third paragraph—

(A) by striking "(a) Correction of Errors in Application. When—;

(B) by striking "and without deceptive intent";

(d) PATENT VALIDITY OF THIS TITLE.—The provisions described above in this clause (D); and

(i) in subparagraph (D), by striking "except where it proves to have to be infeasible following a reasonable inquiry, a preference in the licensing of subject inventions shall be given to small business firms; and;

(ii) in subparagraph (G), by striking "of the treaty.";

(j) NECESSARY REFERENCES—

(1) in GENERAL.—Title 35, United States Code, is amended by striking "of this title" and inserting "of the treaty.".

(2) Section 206 of title 35, United States Code, is amended by adding at the end the following new section:

"§ 206. Correction of errors in application

(a) CORRECTION.—Whenever—

(1) in paragraph (1), by striking "the application" and inserting "the application for a patent; and

(2) by striking "and such error arose without any deceptive intent on his part.";

(b) OMISSION.—When—

(1) in paragraph (1), by striking "and such error arose without any deceptive intent on his part.";

(2) in paragraph (2), by striking "No patent may be canceled or held invalid or otherwise unenforceable; or

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to proceedings commenced on or after that date.

SEC. 19. CLARIFICATION OF JURISDICTION.

(a) CORRECTION.—Whenever—

(1) in paragraph (1), by striking "the application" and inserting "the application for a patent; and

(2) by striking "and such error arose without any deceptive intent on his part.";

(b) OMISSION.—When—

(1) in paragraph (1), by striking "and such error arose without any deceptive intent on his part.";

(2) in paragraph (2), by striking "No patent may be canceled or held invalid or otherwise unenforceable; or

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to proceedings commenced on or after that date.

SEC. 17. CLARIFICATION OF JURISDICTION.

(a) SHORT TITLE.—This section may be cited as the "Federal Circuit Property Jurisdiction Clarification Act of 2011.

(b) STATE COURT JURISDICTION.—Section 1334(b) of title 28, United States Code, is amended by adding the following clauses:

(1) the first instance of the use of such term in section 1334(b)(1) and

(2) the first instance of the use of such term in section 1334(b)(2).

(c) REMAND.—If a civil action is removed under this section, the district court—

(1) shall remand all claims that are neither a basis for removal under subsection (a) nor within the original or supplemental jurisdiction of the district court under any Act of Congress; and

(2) may, under the circumstances specified in section 1367(c), remand any claims within the supplemental jurisdiction of the district court under section 1367.

(d) REMOVAL.—

(1) may, under the circumstances specified in section 1331(c), remove any claims arising under any Act of Congress relating to patents, plant variety protection, or copyrights; and

(2) may, under the circumstances specified in section 1331(c), remove any claims arising under any Act of Congress relating to patents, plant variety protection, or copyrights; and

(3) may, under the circumstances specified in section 1331(c), remove any claims arising under any Act of Congress relating to patents, plant variety protection, or copyrights; and

(4) may, under the circumstances specified in section 1331(c), remove any claims arising under any Act of Congress relating to patents, plant variety protection, or copyrights; and

(5) may, under the circumstances specified in section 1331(c), remove any claims arising under any Act of Congress relating to patents, plant variety protection, or copyrights; and

(6) may, under the circumstances specified in section 1331(c), remove any claims arising under any Act of Congress relating to patents, plant variety protection, or copyrights; and

(7) may, under the circumstances specified in section 1331(c), remove any claims arising under any Act of Congress relating to patents, plant variety protection, or copyrights; and

(8) may, under the circumstances specified in section 1331(c), remove any claims arising under any Act of Congress relating to patents, plant variety protection, or copyrights; and

(9) may, under the circumstances specified in section 1331(c), remove any claims arising under any Act of Congress relating to patents, plant variety protection, or copyrights; and

(e) TRANSFER BY COURT OF APPEALS FOR THE FEDERAL CIRCUIT.—

(1) in GENERAL.—Chapter 99 of title 28, United States Code, is amended by adding at the end the following new section:

"§ 1454. Patent, plant variety protection, and copyright cases

(a) IN GENERAL.—A civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights may be removed to the district court of the United States for the district and division embracing the place where such action is pending.

(b) SPECIAL RULES. —The removal of an action under this section shall be made in accordance with section 1404, except that if the removal is based solely on this section—

(1) the action may be removed by any party; and

(2) the time limitations contained in section 1446(b) may be extended at any time for cause shown.

(c) DERIVATIVE JURISDICTION NOT REQUIRED.—The court to which a civil action is removed under this section is not precluded from hearing and determining any claim in such civil action because the State court from which such civil action is removed did not have jurisdiction over that claim.

(d) REMAIND.—If a civil action is removed solely under this section, the district court—

(1) shall remand all claims that are neither a basis for removal under subsection (a) nor within the original or supplemental jurisdiction of the district court under any Act of Congress; and

(2) may, under the circumstances specified in section 1367(c), remand any claims within the supplemental jurisdiction of the district court under section 1367.

(2) CONFORMING AMENDMENT.—The table of sections for chapter 99 of title 28, United States Code, is amended by adding at the end the following new item:

"1454. Patent, plant variety protection, and copyright cases."

(e) TRANSFER BY COURT OF APPEALS FOR THE FEDERAL CIRCUIT.—

(1) in GENERAL.—Chapter 99 of title 28, United States Code, is amended by adding at the end the following new section:

"§ 1632. Transfer by the Court of Appeals for the Federal Circuit

When a case is appealed to the Court of Appeals for the Federal Circuit under section 1295(a)(1) and no claim for relief arising under any Act of Congress relating to patents or plant variety protection is the subject of the appeal by any party, the Court of Appeals for the Federal Circuit shall transfer the appeal to the court of appeals for the regional circuit embracing the district from which the appeal has been taken.

(2) CONFORMING AMENDMENT.—The table of sections for chapter 99 of title 28, United States Code, is amended by adding at the end the following new item:

"1632. Transfer by the Court of Appeals for the Federal Circuit."

(1) EFFECTIVE DATE. —The amendments made by this section shall apply to any civil
action commenced on or after the date of the enactment of this Act.

SEC. 18. TRANSITIONAL PROGRAM FOR COVERED BUSINESS-METHOD PATENTS.

(a) REPEAL.—Except as otherwise expressly provided, wherever in this section language is expressed in terms of a section or chapter, such reference shall be considered to be made to that section or chapter in title 35, United States Code.

(b) TRANSITIONAL PROGRAM.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business-method patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32, subject to the following exceptions and qualifications:

(A) Section 321(c) and subsections (e)(2), (f), and (g) of section 325 shall not apply to a transitional proceeding.

(B) A person may not file a petition for a transitional proceeding with respect to a covered business-method patent unless the person or his real party in interest has been sued for infringement of the patent and the action has been charged with infringement under that patent.

(C) A petitioner in a transitional proceeding challenging the validity of 1 or more claims in a covered business-method patent on a ground raised under section 102 or 103 as in effect on the day prior to the date of enactment of this Act may support such ground only on the basis of—

(i) prior art that is described by section 102(a) (as in effect on the day prior to the date of enactment of this Act); or

(ii) prior art that—

(I) discloses the invention more than 1 year prior to the effective date of the specification for patent in the United States; and

(II) would be described by section 102(a) (as in effect on the day prior to the date of enactment of this Act).

(D) Whether discovery is complete and whether a trial date has been set;

(E) Whether the district court has a clear tactical advantage for the moving party; and

(F) Whether a stay, or the denial thereof, would unduly burden the moving party and present a clear tactical advantage for the moving party; and

(G) Whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial.

(2) REVIEW.—A party may take an immediate interlocutory appeal from a district court's decision to ensure consistent application of established precedent, and such review may be de novo.

(b) DEFINITION.—For purposes of this section, the term "covered business method patent" means a patent that claims a method or corresponding apparatus for performing data processing operations utilized in the practice, administration, or management of a financial product or service, except that the term shall not include patents for technological inventions.

(c) EXPENSES.—Amounts deposited into the Public Enterprise Revolving Fund to be known as the "United States Patent and Trademark Office Public Enterprise Fund" and any amounts in the Fund shall be available for use by the Director without fiscal year limitation.

(d) DERIVATION OF RESOURCES.—There shall be deposited into the Fund under paragraph (2) to cover the effective date of subsection (b)(1)—

(A) any fees collected under sections 41, 42, and 376 of title 35, United States Code, provided that notwithstanding any other provision of law, if such fees are collected by, and payable to, the Director, the Director shall transfer such amounts to the Fund, provided that the Director may deposit pursuant to section 9(h) of this Act or section 1(a)(2) of Public Law 111-45 shall be deposited in the Fund; and

(B) any fees collected under section 31 of the Trademark Act of 1946 (15 U.S.C. 1113).

(e) EXPENSES.—Amounts deposited into the Fund under paragraph (2) shall be available, with respect to each fiscal year, for the following:

(A) all expenses to the extent consistent with the limitation on the use of fees set forth in section 42(c) of title 35, United States Code, including all administrative and operating expenses, determined in the discretion of the Under Secretary to be ordinary and reasonable, incurred by the Under Secretary in connection with the operation of all services, programs, activities, and duties of the Office relating to patents and trademarks, as such services, programs, activities, and duties are described under—

(i) title 35, United States Code; and

(ii) the Trademark Act of 1946; and

(B) all expenses incurred pursuant to any obligation, representation, or other commitment of the Office.

(d) ANNUAL REPORT.—Not later than 60 days after the end of each fiscal year, the Under Secretary and the Director shall submit a report to Congress which shall—

(1) summarize the operations of the Office for the preceding fiscal year, including financial details and staff levels broken down by each major activity of the Office;
(2) detail the operating plan of the Office, including specific expense and staff needs for the upcoming fiscal year;

(3) describe the long term modernization plans for the Office;

(4) set forth details of any progress towards such modernization plans made in the previous fiscal year; and

(5) include a summary of the most recent audit carried out under subsection (f).

(6) ANNUAL SPENDING PLAN.—

(1) IN GENERAL.—Not later than 30 days after the end of each fiscal year, the Director shall notify the Committees on Appropriations of both Houses of Congress of the plan for the obligation and expenditure of the funds for that fiscal year in accordance with section 605 of the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (Public Law 109-236; 119 Stat. 2324).

(2) CONTENTS.—Each plan under paragraph (1) shall—

(A) summarize the operations of the Office for the current fiscal year, including financial details and staff levels with respect to major activities; and

(B) detail the operating plan of the Office, including specific expense and staff needs, for the current fiscal year.

(f) AUDIT.—The Under Secretary shall, on an annual basis, provide for an independent audit of the financial statements of the Office. Such audit shall be conducted in accordance with generally acceptable accounting procedures.

(g) BUDGET.—The Fund shall prepare and submit each year to the President a budget for the Office to—

(1) summarize the operating activities of the Office for the current fiscal year;

(2) detail the operating plan of the Office, including specific expense and staff needs, for the next fiscal year;

(3) improve recruitment of patent examiners; and

(4) set forth details of any progress towards the objectives for that fiscal year.

SEC. 21. SATELLITE OFFICES.

(a) ESTABLISHMENT.—Subject to available resources, the Director may establish 3 or more satellite offices in the United States to carry out the responsibilities of the Patent and Trademark Office.

(b) PURPOSE.—The purpose of the satellite offices established under subsection (a) are to—

(1) increase outreach activities to better connect patent filers and innovators with the Patent and Trademark Office;

(2) enhance patent examiner retention;

(3) improve recruitment of patent examiners; and

(4) increase the number of patent applications waiting for examination and improve the quality of patent examination.

(c) REQUIRED CONSIDERATIONS.—In selecting the locale of each satellite office to be established under subsection (a), the Director—

(1) shall ensure geographic diversity among the offices, including by ensuring that such offices are established in different States and regions throughout the Nation;

(2) may rely upon any previous evaluations by the Patent and Trademark Office of potential locales for satellite offices, including any evaluations prepared as part of the Patent and Trademark Office’s Nationwide Workforce Program that resulted in the 2010 selection of Detroit, Michigan as the first ever satellite office of the Patent and Trademark Office; and

(3) shall include as an initial matter in the preceding paragraph shall constrain the Patent and Trademark Office to only consider its prior work from 2010. The process for site selection shall be open.

(d) PHASING.—The Director shall satisfy the requirements of subsection (a) over the 3-year period beginning on the date of enactment of this Act.

(e) REPORT TO CONGRESS.—Not later than the end of the first fiscal year that occurs after the date of the enactment of this Act, and each fiscal year thereafter, the Director shall submit a report to Congress on—

(1) the rationale of the Director in selecting the locations of the satellite office required under subsection (a);

(2) the progress of the Director in establishing all such satellite offices; and

(3) whether any existing satellite offices is achieving the purposes required under subsection (b).

(4) DEFINITIONS.—In this section, the following definitions apply:

(1) DIRECTOR.—The term ‘Director’ means the Director of the United States Patent and Trademark Office.


SEC. 22. PATENT OMBUDSMAN PROGRAM FOR SMALL BUSINESS CONCERNS.

Subject to available resources, the Director may establish in the United States Patent and Trademark Office a Patent Ombudsman Program. The duties of the Program’s staff shall include providing support and services relating to patent filings to small business concerns.

SEC. 23. PRIORITY EXAMINATION FOR TECHNOLOGIES IMPORTANT TO AMERICAN COMPETITIVENESS.

(a) DETERMINATION.—The Secretary of Commerce, acting through the Under Secretary for International Trade and Administration, shall annually submit to the Congress—

(1) a list of any foreign country that has engaged in industrial espionage with respect to United States technology; and

(2) the results of the most recent audit of the United States Patent and Trademark Office to determine whether the exchange of technology for United States technology is occurring in contravention of United States law.

(b) PRIORITY EXAMINATION.—The United States Patent and Trademark Office shall give priority examination to—

(1) a patent application relating to United States technology that is the subject of an enforcement action, as defined in section 1401(a) of the Tariff Act of 1930, as amended, for the purpose of preventing the internationally wrongful act of industrial espionage; and

(2) an application for a patent relating to United States technology that has been the subject of an enforcement action, as defined in section 1401(a) of the Tariff Act of 1930, as amended, for the purpose of preventing the internationally wrongful act of industrial espionage.

(c) R EQUIRED CONSIDERATIONS.—In selecting the technologies important to American Competitiveness, the Secretary of Commerce, acting through the Under Secretary for International Trade and Administration, shall—

(1) consult with the United States Patent and Trademark Office; and

(2) prioritize, notwithstanding section 41, the particular technologies important to American Competitiveness.

SEC. 24. DESIGNATION OF DETROIT SATELLITE OFFICE.

(a) DESIGNATION.—The satellite office of the United States Patent and Trademark Office to be located in Detroit, Michigan shall be known and designated as the ‘Elijah J. McCoy United States Patent and Trademark Office’.

(b) REFERENCES.—Any reference in a law, map, registration document, patent, or other record of the United States to the satellite office of the United States Patent and Trademark Office to be located in Detroit, Michigan referred to in subsection (a) shall be deemed to be a reference to the ‘Elijah J. McCoy United States Patent and Trademark Office’.

SEC. 25. EFFECTIVE DATE.

Except as otherwise provided in this Act, the provisions of this Act shall take effect 1 year after the date of the enactment of this Act and shall apply to any patent issued on or after that effective date.

SEC. 26. BUDGETARY EFFECTS.

The budgetary effects of this Act, for the purpose of complying with the pay-as-you-go legislation of the Congressional Record by the Chairman of the Senate Finance Committee, provided that such statement has been submitted prior to the vote on passage.

Mr. LEAHY. I move to reconsider the vote.

Mr. GRASSLEY. I move to lay that motion on the table.
Among those outside the Senate, I recognize and thank Hayden Gregory of the American Bar Association, Laurie Self and Rod Mckelvie of Covington & Burling, and Hans Sauer, Mike Schiffer, Bruce Barton, Matt Rainey, David Bier, Carl Horton, Steve Miller, Doug Norman, and Stan Fendley. The Wisconsin Alumni Research Foundation has played an important role, particularly with regard to the bill’s enhanced grace period. I thank Carl Gubits, Carol Bremmer, Andy Cohn, and Mike Remington. I thank Todd Dickinson and Vince Garlock of AIPLA, and Jim Crowne, who was willing to come to the Senate to double check the draft enrolled bill. I should also mention Herb Wamsley of Intellectual Property Owners, as well as Dana Colarulli, who has worn two hats during the course of his work on this bill, first with IPO, and subsequently as the head of legislative affairs at the PTO. Key participants at the PTO have also included Larry Samuelson, John Love, Jim Toupin, and Rob Clarke. And of course I must mention the current Director, David Kappos, without whose effort and dedication the passage of the present bill would not have been possible.

Finally, allow me to acknowledge the key members of the 21st Century Coalition for Patent Reform, who have devoted countless hours to this bill, and stuck with it through thick and thin. They have also formed an important “kitchen cabinet” that has been indispensable to the committee’s drafting of this bill and to the resolution of difficult technical questions. I thus acknowledge and thank Phil Johnson, Gary Griswold, Bob Armitage, and Mike Kirk for their key role in the creation of the America Invents Act.

I yield the floor. I suggest the absence of a quorum.

THE PRESIDING OFFICER (Mr. Ben-nett). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LEAHY. Mr. President, I ask unanimous consent that the order for the question be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

MORNING BUSINESS

Mr. LEAHY. Mr. President, I ask unanimous consent that the Senate proceed to a period for the transaction of morning business, with Senators permitted to speak therein for up to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LEAHY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. MENENDEZ. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MENENDEZ. Mr. President, I understand we are in a period of morning business.

The PRESIDING OFFICER. The Senator is correct.

Mr. MENENDEZ. Mr. President, I ask unanimous consent to speak for 20 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE FEDERAL DEFICIT

Mr. MENENDEZ. Mr. President, as someone who voted to freeze salaries, to end earmarks in this budget process, as someone who has already voted to cut $45 billion from the budget, I rise today in recognition that business as usual cannot continue. I recognize the critical importance of addressing our Federal deficit—a deficit. I would add, inherited by this administration, a deficit driven by two wars, both unpaid for, and unprecedented need for governmental action to mitigate the wild excesses of Wall Street and American financial markets, excesses that were effectively condoned by the last administration, whose policies took us to the brink of a second Great Depression and cost millions of American jobs.

I never forget that time in late 2008 when Chairman Bernanke, the Chairman of the Federal Reserve, came before members of the Banking Committee and members of the leadership and described the circumstances that were unfolding in the country in which a series of financial institutions, according to Chairman Bernanke and then-Secretary Paulson, the Secretary of the Treasury—they said: We are going to have a series of financial institutions collapse, and if they collapse, they will create systemic risk to the entire country’s economy, and every American will feel the consequences of that collapse. I remember how hushed that room was.

I remember also the question being put to Chairman Bernanke: Surely you must have enough tools at the Federal Reserve to get us through this period of time? I remember the response to that question, which was basically: Senator, if you and your colleagues do not act in a matter of days, maybe a week, we will have a global financial meltdown, which really meant a new depression.

Chairman Bernanke is an academician. His expertise is in depression-era economics, how this Nation got into the last depression, how Roosevelt got us out of it. So when he made that statement, it was all the more chilling.

It is from that moment in 2008, before this President took office and Democrats in control here, that, in fact, we were facing the challenges we are today.

Those of us who believe in a free market also know you cannot have a free-for-all market. We had economic policies for the Bush years, two wars raging abroad, an unregulated market that allowed for the free-for-all that brought us on the brink of a new depression, and that is what we are meeting the challenges of today.

Those choices then and the choices we make, what we choose to cut and what we determine is in our interest, will speak volumes about our values, our priorities as a people and as a Nation.

Mr. President, I favor smart cuts, not dangerous ones. In an independent analysis of H.R. 1, which we are going to be voting on tomorrow—the Republican vision of where we should take the country—shows we are losing about 700,000 jobs. But we are trying to grow jobs in America. We have finally gotten into positive gross domestic product of our Nation’s economy. We are seeing job growth. I would like to see it be even more robust, but H.R. 1 takes us back the opposite way and threatens the very essence of this economic recovery: 700,000 jobs.

Don’t believe what I say because I say it is so, but because those in the know say it—Ben Bernanke: “The GOP’s plan will cut jobs.” Economist Mark Zandi: “The GOP plan would cost 700,000 jobs.” Here is another analysis: H.R. 1, spending cuts will hurt economic growth. So what we have is a one-two punch—after economist telling us that H.R. 1 is a recipe for disaster when it comes to the question of jobs in America.

That analysis which says we would slash 700,000 jobs directly impacts the lives of middle-class and working families struggling to get back on their feet. They are severe cuts that run roughshod over the green shoots of economic recovery just to satisfy a political agenda. I favor smart common-sense cuts—cuts made with a surgeon’s knife not a meat ax; cuts that are thoughtful, surgically precise cuts that actually reduce the deficit, not cuts that eliminate jobs and disinvest in educational opportunities for millions of promising young Americans, not cuts that hurt middle-class families struggling to make ends meet, make our workforce less competitive, our communities less safe, and strip away basic protections Americans have come to take for granted.

In my view, we can preserve our values and invest in the future, invest in out-educating, out-innovating, out-exploring, and out-growing the world and still cut the deficit. To begin with, Secretary Gates of the Department of Defense has identified $78 billion in defense spending cuts alone. He has identified $178 billion in program reductions over 5 years, including delaying or eliminating high-profile weapon systems.

I agree with Secretary Gates that we can live without the Marine Corps variant of the F-35 Joint Strike Fighter as we cut the Marine Corps Expeditionary Fighting Vehicle. The Secretary has identified $54 billion in cuts in overhead costs and improved efficiency across defense agencies and the civilian