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3 MARKUP OF H.R. 1249, THE AMERICA INVENTS ACT

4 Thursday, April 14, 2011

5 House of Representatives

6 Committee on the Judiciary

7 Washington, D.C.

8           The committee met, pursuant to call, at 10:35 a.m., in  
9 Room 2141, Rayburn Office Building, Hon. Lamar Smith  
10 [chairman of the committee] presiding.

11           Present: Representatives Smith, Sensenbrenner, Coble,  
12 Gallegly, Goodlatte, Lungren, Chabot, Issa, Pence, Forbes,  
13 King, Franks, Gohmert, Jordan, Poe, Chaffetz, Griffin,  
14 Marino, Gowdy, Ross, Adams, Quayle, Conyers, Berman, Nadler,  
15 Scott, Watt, Lofgren, Jackson Lee, Waters, Cohen, Johnson,  
16 Pierluisi, Quigley, Chu, Deutch, Sanchez, and Wasserman  
17 Schultz.

18           Staff present: Sean McLaughlin, Chief of Staff;  
19 Allison Halatei, Deputy Chief of Staff/Parliamentarian;  
20 Sarah Kish, Clerk; Perry Apelbaum, Minority Staff Director;  
21 and Chrystal Sheppard.  
22

23 Chairman Smith. [Presiding] The Judiciary Committee  
24 will come to order.

25 Without objection, the chair is authorized to declare  
26 recesses of the committee at any time.

27 The clerk will call the role to establish a quorum.

28 Ms. Kish. Mr. Smith?

29 Chairman Smith. Present

30 Ms. Kish. Mr. Sensenbrenner?

31 Mr. Sensenbrenner. Here.

32 Ms. Kish. Mr. Coble?

33 Mr. Gallegly?

34 Mr. Goodlatte?

35 Mr. Lungren?

36 Mr. Chabot?

37 Mr. Issa?

38 Mr. Pence?

39 Mr. Forbes?

40 Mr. King?

41 Mr. Franks?

42 Mr. Gohmert?

43 Mr. Gohmert. Here

44 Ms. Kish. Mr. Jordan?

45 Mr. Poe?  
46 Mr. Chaffetz?  
47 Mr. Griffin?  
48 Mr. Marino?  
49 Mr. Gowdy?  
50 Mr. Ross?  
51 Ms. Adams?  
52 Mr. Quayle?  
53 Mr. Conyers?  
54 Mr. Berman?  
55 Mr. Nadler?  
56 Mr. Scott?  
57 Mr. Watt?  
58 Mr. Watt. Present.  
59 Ms. Kish. Ms. Lofgren?  
60 Ms. Lofgren. Present.  
61 Ms. Kish. Ms. Jackson Lee?  
62 Ms. Jackson Lee. Present.  
63 Ms. Kish. Ms. Waters?  
64 Mr. Cohen?  
65 Mr. Johnson?  
66 Mr. Pierluisi?

67 Mr. Quigley?

68 Mr. Quigley. Here.

69 Ms. Kish. Ms. Chu?

70 Ms. Chu. Present.

71 Ms. Kish. Mr. Deutch?

72 Ms. Sanchez?

73 Ms. Wasserman Schultz?

74 Chairman Smith. The gentleman from Arizona?

75 Mr. Quayle. Here.

76 Chairman Smith. The gentleman from Illinois? Oh,

77 have you recorded yourself? Okay.

78 Chairman Smith. How is the gentleman from Michigan

79 the gentlewoman from California recorded?

80 Ms. Kish. Not recorded, sir.

81 Chairman Smith. The gentlewoman from California?

82 Ms. Sanchez. Present.

83 Chairman Smith. And the gentleman from Michigan?

84 Mr. Conyers. Present.

85 Chairman Smith. Is present.

86 The clerk will report.

87 Ms. Kish. Mr. Chairman, 15 members responded present.

88 Chairman Smith. A working quorum is present and we

89 will proceed.

90 Pursuant to notice, I now call up H.R. 1249 for  
91 purposes of markup. The clerk will report the bill.

92 Ms. Kish. "H.R. 1249, to amend Title 35, United  
93 States Code, to provide for patent reform."

94 Chairman Smith. Without objection, the bill will be  
95 considered as read.

96 [The information follows:]

97

98 Chairman Smith. And I will begin by recognizing  
99 myself for an opening statement and then the ranking member.

100 The foresight of the Founders in creating an  
101 intellectual property system in the Constitution  
102 demonstrates their understanding of how patent rights  
103 benefit the American people. Technological innovation from  
104 our intellectual property is linked to three-quarters of  
105 America's economic growth, and American IP industries  
106 account for over one-half of all U.S. exports. These  
107 industries also provide millions of Americans with well  
108 paying jobs. Our patent laws, which provide a time-limited  
109 monopoly to inventors in exchange for their creative talent,  
110 helps create this prosperity.

111 The last major patent reform was nearly 60 years ago.  
112 Since then, American inventors have helped put a man on the  
113 moon, developed cell phones, and created the Internet. But  
114 we cannot protect the technologies of today with the tools  
115 of the past. The current patent system is outdated and  
116 dragged down by frivolous lawsuits and uncertainty regarding  
117 patent ownership. Unwarranted lawsuits that typically cost  
118 \$5 million to defend prevent legitimate inventors and  
119 industrious companies from creating products and generating

120 jobs.

121           One problem with the patent system is the lack of  
122 resources available to the PTO. The bill allows the  
123 director to adjust the fee schedule with appropriate  
124 congressional oversight and authorizes the agency to keep  
125 all the revenue it raises. This will enable the PTO to  
126 become more efficient and productive. Patent quality will  
127 improve on the front end which will reduce litigation on the  
128 back end.

129           Inventors, businesses, and other groups interested in  
130 patent reform don't agree on every issue that we have  
131 debated for the past 6 years. Our patent system doesn't  
132 affect each individual or company in the same way because  
133 they use the patent system in many different ways.

134           The patent system envisioned by our Founders focused  
135 on granting a patent to be awarded to the first inventor to  
136 register their invention as long as it was not in public use  
137 when the inventor conceived of their invention. There are  
138 some who look at this bill thinking that it will hurt small  
139 business and independent inventors, but this bill was  
140 designed to ensure that these inventors are able to compete  
141 with the larger companies and globally which the current

142 system does not enable them to do. This bill includes new  
143 programs at the PTO that will reduce litigation costs and  
144 create true patent certainty.

145 We have also included, at Mr. Griffin's suggestion, a  
146 provision that makes the small business ombudsman at the PTO  
147 permanent. That means that small business will always have  
148 a champion at the PTO looking out for their interests and  
149 helping them as they secure patents for their inventions.

150 This bill not only protects small business and  
151 independent inventors, it creates jobs and even helps bring  
152 manufacturing jobs back to the United States.

153 I also note that there are some members on the large  
154 business side, particularly in the tech community, who still  
155 want some more. I have been a consistent ally of theirs  
156 since this project began 6 years ago. Given the political  
157 context in which we must legislate, I think we have been  
158 fair to tech industries and in fact fair to all sides.

159 For example, at their request, the bill doesn't  
160 address many litigation reform issues because the courts are  
161 addressing these issues through decisions on damages, venue,  
162 and other subjects. In a response to a request from tech  
163 firms, this bill lengthens the filing deadlines for post-

164 grant opposition and inter partes reexam and enhances prior  
165 user rights in ways that manage to preserve the support of  
166 the other stakeholders.

167       It is impossible for any one group to get everything  
168 they want. This bill represents a fair compromise, in my  
169 judgment, and creates a better patent system than exists  
170 today for inventors and innovative industries.

171       Now is the time to act and I urge my Judiciary  
172 Committee colleagues to support the America Invents Act.

173       That concludes my opening statement. We will look to  
174 the gentleman from Michigan, the ranking member of the full  
175 committee, for his opening statement.

176       Mr. Conyers. Thank you, Chairman Smith and members of  
177 the committee.

178       I want the record to show that I agree with much of  
179 what you have said, particularly about the importance of  
180 patent reform and how increasingly important it is to the  
181 country. We are now turning into an information-based  
182 economy, and intellectual property is key to the success of  
183 that kind of economic system.

184       Now, we have been working on patent reform for 6  
185 years, and it is important that we come here today with as

186 open minds to the issues that will be taken up as possible.  
187 There have been a lot of work and innumerable meetings and  
188 subgroup sessions and after-voting-hours activity devoted to  
189 how we approach and deal with these issues.

190 I must say to my surprise we have made some progress  
191 in this area -- in a number of areas on the bill in general.  
192 But there is a concern that I would like to raise.

193 The director of the Patent and Trade Office's  
194 authority to set fees sunsets after 4 years. Now, no  
195 business can do any long-term planning with such a  
196 restriction. And so I would like every member of this  
197 committee to apply their business experience to a  
198 restriction such as that. The foundation of the Patent and  
199 Trademark Office is crumbling. It is the front line in our  
200 effort to improve patent quality, and one way to help secure  
201 the foundation is to provide a mechanism for the Trade  
202 Office to coordinate fees with the actual expenses that are  
203 required to review the patents. So providing the office  
204 with the authority to set fees and to take that authority  
205 away after 4 years is self-defeating. The authority has  
206 significant congressional and stakeholder oversight. So I  
207 see no reason for that limitation.

208           Now, the next issue I would like to raise is the  
209 expansion of the transitional business method patent post-  
210 grant provision from 4 years to 10 years. This provision, I  
211 think after the discussion today, will show that it moves in  
212 the wrong direction. And I remain concerned about the  
213 retroactive application of the provision, and the manager's  
214 amendment compounds the problem by putting patent owners  
215 under a cloud of litigation for 6 additional years, even  
216 those patent owners who have already gone through prior  
217 reexamination or court proceedings and have been found to  
218 have valid patents. And so representatives from  
219 influential, nonfinancial services, and entities such as  
220 Procter & Gamble have publicly stated that this is not a  
221 good provision.

222           Mr. Chairman, could I receive an additional 1 minute?

223           Chairman Smith. Of course. The gentleman is  
224 recognized for an additional minute.

225           Mr. Conyers. Thank you, sir.

226           Finally, the final thing that is of concern to me is  
227 the creation of a 3-year safe harbor for companies accused  
228 of falsely marking their products. This provision, prior to  
229 the manager's amendment, already harmed settled expectation

230 because it applied retroactively. Providing a safe harbor  
231 for expired patents only compounds the retroactivity problem  
232 by ensuring that almost all ongoing litigation will be  
233 eliminated by amendments.

234 And so I approach this hearing with some hopefulness.  
235 For years, this committee, which is known for its diverse  
236 points of view, has been able to resolve a number of major  
237 issues across the years. And I think, Chairman Smith, with  
238 your leadership and our cooperation, we can add to what has  
239 been accomplished here. We have passed milestone  
240 legislation out of Judiciary before: the Satellite Home  
241 Viewer Act, the Digital Millennium Copyright Act, the PRO-IP  
242 Act. And I hope today we will be able to add another such  
243 important piece of legislation.

244 And I thank you for your generosity.

245 Chairman Smith. Thank you, Mr. Conyers for that  
246 statement.

247 Our chairman of the IP Subcommittee is at another  
248 markup and will be here shortly. Meanwhile, we will  
249 recognize the ranking member of that IP Subcommittee, the  
250 gentleman from North Carolina, Mr. Watt, for his statement.

251 Mr. Watt. Thank you, Mr. Chairman, and I thank the

252 chairman for taking me up on my suggestion 13 days ago to  
253 convene various stakeholders in yet another attempt to  
254 reconcile divisions that have persistently paralyzed  
255 progress on getting a bill on patent reform. At his  
256 request, representatives from several industries came  
257 together and constructively hashed out some of the remaining  
258 differences that they had.

259         Today we will have before us a manager's amendment  
260 that moves in the right direction toward the appropriate  
261 balance to ensure the health of our patent system. I  
262 applaud Chairman Smith for his leadership, but we are not  
263 there yet.

264         Like the stakeholders who answered our call for them  
265 to convene, collaborate, and compromise, the members of this  
266 committee must now forge ahead in meaningful partnership to  
267 enact comprehensive patent reform. Thus far, the process  
268 has not been perfect. Yet, many of the major chokepoints  
269 that have strangled progress have been opened or at least  
270 unstrangled, and there may be a path to getting a bill out  
271 of our committee and moving the process forward.

272         Innovation and creativity are the cornerstones of  
273 American enterprise. Our Nation's economy is on the mend,

274 but we have an unique opportunity to breathe new life into  
275 the economy and make it stronger.

276         During the course of this markup, we will, no doubt,  
277 be summoned to the House floor to take some contentious  
278 votes on the budget. There, as here, the end game is to put  
279 in place effective reforms that will help America prosper  
280 economically. Unfortunately there, the parties are still  
281 screaming at each other with little hope for meaningful  
282 compromise and opportunity to move forward. But here in  
283 this room, I am hopeful that we can find common ground for  
284 the American people and deliver a win that will foster  
285 growth and create jobs by updating and modernizing our  
286 ailing patent system.

287         Providing the PTO with resources it needs by  
288 permanently ending the practice of fee diversion and  
289 guaranteeing access to all of its user-generated fees has  
290 almost universal support.

291         I believe the manager's amendment reflects a  
292 reasonable accommodation on prior user rights. Providing a  
293 defense for innovators to reduce a product to prior domestic  
294 commercial use while maintaining the exclusionary rights  
295 that inure to a subsequently filed patent is good policy,

296 and I am happy to see it in the bill. Virtually every other  
297 country that operates under a first-to-file system  
298 recognizes the benefits to the public from prior user  
299 rights.

300 Significant progress has been made on inter partes  
301 reexamination and I trust that moving forward we will strike  
302 the right balance there as well.

303 Preservation of the grace period, the establishment of  
304 a new, robust post-grant review process, submission of third  
305 party prior art, and a supplemental examination proceeding  
306 are other core features of the measure before us.

307 I reiterate that the underlying bill, the manager's  
308 amendment, and what we have and will agree to today haven't  
309 gotten us across the finish line yet, but we are closer to  
310 enacting meaningful, comprehensive patent reform than we  
311 have ever been. We must act responsibly to finish the job.  
312 I look forward to a productive markup and yield back the  
313 balance of my time.

314 Mr. Conyers. Mr. Chairman?

315 Chairman Smith. Just a minute. I want to thank Mr.  
316 Watt for his statement. For what purposes does the ranking  
317 member wish to be heard?

318           Mr. Conyers. An inquiry, please. If it pleases the  
319 chairman, we would like to bring forward the business method  
320 amendment before the manager's amendment, which has at least  
321 a half a dozen amendments, and we would like to get that out  
322 of the way first. If it doesn't displease the chairman, I  
323 would like to offer that amendment if I could.

324           Chairman Smith. I appreciate the gentleman's request.  
325 Normally we would have amendments to the manager's amendment  
326 and then take up amendments to the underlying bill, and that  
327 is the normal --

328           Mr. Conyers. Well, that is why I am asking for your  
329 consent to do it differently.

330           Chairman Smith. We are checking now with the  
331 parliamentarian to see if what the gentleman has requested  
332 is possible under the rules, and we will suspend for about  
333 15 seconds like we are checking that answer.

334           Mr. Sensenbrenner. Mr. Chairman, I have a couple of  
335 parliamentary inquiries as well.

336           Chairman Smith. Let me dispose of this one first, Mr.  
337 Sensenbrenner, and then we will get to yours.

338           [Pause.]

339           Chairman Smith. Mr. Conyers, I am advised by the

340 parliamentarian that we have to take up my manager's  
341 amendment first or it may not be in order. So we will need  
342 to go through the manager's amendment and dispense with  
343 those amendments, and then your amendment will be the first  
344 amendment up after we dispose of the amendments to the  
345 manager's amendment.

346 Mr. Watt. Will the chairman yield?

347 Chairman Smith. I had an inquiry from the gentleman  
348 from Wisconsin. Is this on the same subject?

349 Mr. Watt. Well, I thought it might help if the  
350 chairman would talk some about the process. I thought we  
351 had understood that all amendments would be in order. And  
352 if the chairman explains that, it might clarify some issues  
353 Mr. Sensenbrenner is raising.

354 Chairman Smith. If the gentleman will yield. The  
355 fact that we are taking up the manager's amendment initially  
356 does not preclude anyone from offering an amendment. There  
357 are going to be two opportunities to offer an amendment.  
358 One will be when we are dealing with the manager's  
359 amendment, and one will be subsequent to that. And those  
360 amendments will be to the underlying bill. There is no  
361 intention to shut off any debate or the opportunity for

362 anybody to offer an amendment, if anybody is concerned about  
363 that.

364 Mr. Sensenbrenner. Mr. Chairman?

365 Chairman Smith. The gentleman from Wisconsin, Mr.  
366 Sensenbrenner, is recognized --

367 Mr. Sensenbrenner. Mr. Chairman, I have two  
368 parliamentary inquiries at minimum.

369 Chairman Smith. The gentleman will state his first  
370 parliamentary inquiry.

371 Mr. Sensenbrenner. Well, the first parliamentary  
372 inquiry is that many of the amendments that have been  
373 drafted to the manager's amendment have also been drafted to  
374 the underlying bill. Does this mean that we will have to  
375 debate the amendments that are similar or identical two  
376 times rather than one, particularly if the manager's  
377 amendment is voted down?

378 Chairman Smith. I am advised that if the gentleman  
379 offers an amendment to the manager's amendment and it is  
380 defeated, he can then offer that same amendment in  
381 consideration of the underlying bill. That is at his  
382 discretion.

383 Mr. Sensenbrenner. A further parliamentary inquiry.

384 Does this mean that if the amendment to the manager's  
385 amendment is defeated, then the amendment can be offered to  
386 the underlying bill, or it means that if the manager's  
387 amendment is defeated, the amendment can be offered to the  
388 underlying bill?

389 Chairman Smith. I am told that if the portion of the  
390 manager's amendment that was amended successfully -- that  
391 can not be amended again under the underlying bill.

392 Mr. Sensenbrenner. A further parliamentary inquiry.

393 Chairman Smith. The gentleman will proceed.

394 Mr. Sensenbrenner. Since the manager's amendment is  
395 being offered as an amendment and not as an amendment in the  
396 nature of a substitute, that would make any amendments to  
397 the amendment to the manager's amendment a third degree  
398 amendment and consequently out of order. Am I correct in  
399 that?

400 Chairman Smith. The gentleman is correct. Third  
401 degree amendments are not in order.

402 Mr. Sensenbrenner. Then, Mr. Chairman, I would ask  
403 unanimous consent, notwithstanding any rule to the contrary,  
404 that there can be third degree amendments offered to the  
405 amendment to the manager's amendment.

406 Chairman Smith. And I would object to that unanimous  
407 consent request.

408 Mr. Watt. Mr. Chairman? Reserving the right to  
409 object, without objecting --

410 Chairman Smith. The gentleman from North Carolina.

411 Mr. Watt. I honestly had understood that that was the  
412 procedure that you had agreed to. As I understood it, that  
413 the process by which you were offering the manager's  
414 amendment, being a little bit out of kilter, I thought you  
415 had agree to basically do what Representative Sensenbrenner  
416 has just suggested.

417 Chairman Smith. Let me restate what I understand to  
418 be the case. All members are able to offer second degree  
419 amendments but third degree amendments are out of order.  
420 Members have an opportunity to amend the manager's amendment  
421 if those amendments are germane, and then we will have  
422 another opportunity to offer amendments to the underlying  
423 bill when we dispense with the amendments to the manager's  
424 amendment.

425 Mr. Watt. Further reserving the right to object, Mr.  
426 Chairman. Well, I yield back.

427 Chairman Smith. The gentleman from New York, Mr.

428 Nadler, is recognized.

429 Mr. Nadler. A parliamentary inquiry. Was I correct  
430 in understanding the previous parliamentary inquiry response  
431 that if an amendment was offered successfully to the  
432 manager's amendment, that if the manager's amendment was  
433 then defeated, the amendment that had been offered to the  
434 manager's amendment could not then be offered to the  
435 underlying bill?

436 Chairman Smith. No. The gentleman did not understand  
437 correctly. If an amendment is offered to the manager's  
438 amendment and defeated, that amendment --

439 Mr. Nadler. No, no. If the amendment is offered to  
440 the manager's amendment and is successful, but the manager's  
441 amendment is then defeated, could the amendment then be  
442 offered to the main bill?

443 Chairman Smith. The answer is yes.

444 Mr. Nadler. Thank you.

445 Mr. Sensenbrenner. Mr. Chairman, a further  
446 parliamentary inquiry.

447 Chairman Smith. The gentleman from Wisconsin is  
448 recognized.

449 Mr. Sensenbrenner. Does the chair's prior response to

450 my parliamentary inquiry mean that if during debate on an  
451 amendment to the manager's amendment, there is an agreement  
452 that the manager's amendment can be modified or amended in  
453 order to lessen the controversy of it, there is no way that  
454 such amendment can be offered?

455 Chairman Smith. To address the gentleman's inquiry, I  
456 can entertain those amendments on a case-by-case basis and I  
457 will be happy to do so.

458 Mr. Sensenbrenner. Mr. Chairman, I would once again  
459 state my unanimous consent request that notwithstanding any  
460 rule to the contrary, that third degree amendments may be  
461 offered to amendments to the manager's amendment.

462 Chairman Smith. I do object to that unanimous consent  
463 request. As I explained, we will take them up on a case-by-  
464 case basis.

465 Ms. Lofgren. A parliamentary inquiry, Mr. Chairman?

466 Chairman Smith. The gentlewoman from California, Ms.  
467 Lofgren.

468 Ms. Lofgren. I am seeking to understand this because  
469 this is not the way we usually proceed, and I am sure that  
470 the chairman wishes to have as free an exchange as possible  
471 because we have worked on a bipartisan basis and the

472 divisions are really not along party lines on these issues.  
473 We really have been working on this since 1997. Even though  
474 I think Mr. Sensenbrenner is offering some amendments I  
475 don't agree with, but I would hope that he would be given  
476 the opportunity to pursue them. I think that we will have a  
477 greater degree of success here as a committee if we allow  
478 that to occur.

479         And here is the question. Mr. Sensenbrenner, for  
480 example, has an amendment number 4 to the manager's  
481 amendment. I would not support number 4, but should his  
482 amendment number 6 prevail on the underlying bill, I would.

483         Chairman Smith. Would the gentlewoman yield for a  
484 minute? I expect, if such amendments are offered, to be  
485 generous in recognizing those individuals, but as a rule,  
486 third degree amendments are not in order and frankly are  
487 sometimes dilatory, and I want to be able to maintain the  
488 process.

489         The gentleman from North Carolina is recognized again.

490         Mr. Watt. Mr. Chairman, I want to reiterate. I don't  
491 think anybody is doing this for dilatory purposes. I think  
492 we would be better served to have a freer discussion of  
493 these issues if we just agreed to the unanimous consent

494 request. I thought that is what the chairman had indicated  
495 he was planning to do, and I will state that on the record  
496 again. We had this discussion yesterday. I thought we had  
497 gone beyond this point and that we were going to be able to  
498 allow everybody who has been involved in this, everybody  
499 being of good will, there being no partisan gamesmanship  
500 going on, and very little likelihood of anybody abusing this  
501 for dilatory purposes, to allow amendments to be offered  
502 freely so that the committee could work --

503 Chairman Smith. I thank the gentleman for his  
504 comments. My guess is that the gentleman is going to be  
505 very satisfied with the way we proceed, and I would expect  
506 to be able to entertain those amendments.

507 In fact, we will proceed now, and I will recognize  
508 myself for a manager's amendment to the underlying bill.  
509 The clerk will report the amendment.

510 Ms. Kish. "Amendment to H.R. 1249, offered by Mr.  
511 Smith of Texas. Page 2, insert the following before line 1  
512 and redesignate succeeding sections and reference thereto  
513 accordingly."

514 Chairman Smith. Without objection, the amendment is  
515 considered as read.

516 [The information follows:]

517

518 Chairman Smith. And I will recognize myself for  
519 purposes of explaining the amendment.

520 The manager's amendment was developed based on  
521 discussions with a cross-range of industry stakeholders.  
522 The amendment also reflects personal requests made by  
523 individual members.

524 Mr. Watts. Mr. Chairman, I am having trouble hearing  
525 down on this end for some reason.

526 Chairman Smith. Let me have a mic check and I know we  
527 are working on it.

528 The manager's amendment was developed based on  
529 discussions --

530 [Pause.]

531 Chairman Smith. The manager's amendment was developed  
532 based on discussions with a cross-range of industry  
533 stakeholders. The amendment also reflects personal requests  
534 made by individual members.

535 The main provisions include the following: a  
536 clarification that the 1-year grace period protects any  
537 disclosure to the public by the inventor; a GAO study about  
538 patent litigation; a narrowing of the prior use defense by  
539 limiting it to process patents, restricting its application

540 to the United States, and eliminating possible conflict  
541 between an inventor's use of the grace period and the  
542 potential for prior use rights arising from the grace period  
543 publication; an extension of the inter partes reexamination  
544 time line from 9 months after service of a complaint to 12  
545 months while raising the threshold to a reasonable  
546 likelihood that the petitioner would prevail; a provision  
547 that sunsets the PTO director's authority to adjust the fee  
548 schedule after 4 years so that Congress can evaluate it; a  
549 clarification that a petitioner may file a written response  
550 during an inter partes proceeding; deletion of the venue,  
551 cost-shifting, and mandatory de novo review provisions that  
552 apply to litigation of because method patents in U.S.  
553 district court; and creation of a joinder provision that  
554 authorizes a Federal court to stay a patent infringement  
555 action brought against the non-manufacturing party under  
556 prescribed conditions.

557 I urge members to support the amendment which  
558 accommodates input from many members of the committee, as  
559 well as various stakeholders, and improves the bill.

560 I will now recognize members who have amendments to  
561 the manager's amendment, and once again, once we get through

562 these amendments, we will go to amendments to the underlying  
563 bill. I will now recognize the gentleman from Wisconsin,  
564 Mr. Sensenbrenner.

565 Mr. Sensenbrenner. Mr. Chairman, I have --

566 Chairman Smith. If the gentleman will suspend.

567 The gentleman from Michigan, the ranking member, Mr.  
568 Conyers, is recognized to speak on the manager's amendment.

569 Mr. Conyers. Thank you. I strike the last word.

570 Chairman Smith. The gentleman is recognized for 5  
571 minutes.

572 Mr. Conyers. I would like to advise for the record  
573 why I do not support the manager's amendment.

574 It just so happens that the fee-setting authority is  
575 not correctly put forward in the manager's amendment. The  
576 business method patent is not acceptable to me, and the  
577 false markings provision is one that I do not agree with.  
578 These are exactly the three items that I made in my opening  
579 statement and they are not properly dealt with in the  
580 manager's amendment. We could take 3 or 4 more minutes to  
581 explain why.

582 But I would urge that the members carefully consider  
583 these three points in the manager's amendment on both sides

584 of the aisle. This is not a Democratic position or a  
585 Republican position. Think about the importance of the  
586 Patent Office and the trademark, copyright, and patent  
587 provisions and how they affect the American economy. I  
588 think we will be much better off in this debate if we reject  
589 the manager's amendment and move on to the other amendments  
590 that have already been filed.

591 And I thank you for the time and I yield back, Mr.  
592 Chairman.

593 Chairman Smith. I thank the gentleman for his  
594 comments.

595 We will now go to the gentleman from Wisconsin and he  
596 will be recognized to offer an amendment to the amendment.

597 Mr. Sensenbrenner. Mr. Chairman, I have an amendment  
598 at the desk numbered 4, SENSEN-016 on prior user rights.

599 Chairman Smith. The clerk will report the amendment  
600 to the amendment.

601 Ms. Kish. "Amendment to the amendment offered by Mr.  
602 Smith to H.R. 1249 offered by Mr. Sensenbrenner of  
603 Wisconsin."

604 Chairman Smith. Without objection, the amendment to  
605 the amendment is considered as read.

606 [The information follows:]

607

608 Chairman Smith. And the gentleman from Wisconsin will  
609 be recognized to explain his amendment.

610 Mr. Sensenbrenner. Mr. Chairman, I would urge very  
611 strong support for this amendment which leaves the law on  
612 prior user rights the way it is.

613 During my period as chairman of the Science Committee  
614 10 years ago, plus, I got to learn that one of the things  
615 that encourages small inventors and encourages the use of  
616 the Bayh-Dole Act and the CRADAs where private sector  
617 inventors can be put together with universities that do  
618 public research is prior user rights protection. And what  
619 this bill does is, I think, eviscerates the prior user right  
620 protection, notwithstanding what we are going to be hearing  
621 from people who are opposed to this amendment.

622 First, there is a constitutional problem with the bill  
623 as it is stated in the manager's amendment. Article 1,  
624 section 8, clause 8 of the Constitution clearly confers  
625 authority on the Congress to enact patent laws which promote  
626 the progress of science, and it gives the exclusive right to  
627 inventors and authors for a limited period of time in  
628 exchange for disclosure to the public. And that is the key.  
629 There are two things: disclosure to the public, as well as

630 protection for a limited period of time.

631 By changing the prior user rights protection, we will  
632 have disclosed to the public but we will not protect the  
633 inventors. So that means that somebody can keep an  
634 invention secret, and if they win the race to the patent  
635 office under first-to-file, which I would refer to as  
636 "forced to file," we are going to put themselves in a catch  
637 22 situation. What will happen is it will not solve abuses  
638 by the so-called patent trolls, but it will be ineffective.  
639 It will breed litigation and increase legal costs.

640 So the manager's amendment is silent as to whether the  
641 person is an inventor. It is silent as to where the  
642 reduction to practice and commercialization has occurred.  
643 It clarifies that the defense cannot be used if the right  
644 from the patentee or somebody in privity with the patentee,  
645 but it could be that it was derived from another inventor.  
646 It will dilute the exclusive rights of the inventors,  
647 decrease the value of patents, and increase the cost of  
648 patent enforcement. Considered collectively without this  
649 amendment, the manager's amendment is bad news and will end  
650 up hurting innovation in the United States.

651 Mr. Nadler. Will the gentleman yield for a question?

652           Mr. Sensenbrenner. No. I have just got a limited  
653 period of time.

654           There are large universities that do a lot of  
655 research, much of which is financed by the Government, and  
656 during my period as science chairman, we worked in  
657 cooperation with the Clinton administration to ensure that  
658 the scarce dollars that we had for research was done for  
659 basic research largely done in a university setting rather  
660 than applied research which is the commercialization of  
661 successful basic research.

662           Now, while the American Association of Universities  
663 seems to be for the manager's amendment, I don't think it  
664 does the trick. And I have talked to the University of  
665 Wisconsin-Madison. They don't like what is in the manager's  
666 amendment, and there are other large universities that do  
667 not like it either. You know, I can talk about the  
668 University of California system, Arizona State University,  
669 the University of Louisville, Kentucky, the University of  
670 Illinois, Stony Brook University of SUNY, the Massachusetts  
671 Institute of Technology, the University of New Mexico. All  
672 of them support this amendment which is cosponsored by my  
673 colleague from Illinois, Mr. Quigley.

674           And now I am happy to yield to the gentleman from New  
675   York.

676           Mr. Nadler. Thank you. I have a simple question. I  
677   wanted to know when you quoted the Constitution, you said  
678   the Congress has power to promote the progress of science  
679   and useful arts by securing for a limited time authors' and  
680   inventors' exclusive rights to their respective writings and  
681   discoveries. And then you said something about disclosure.  
682   I wanted to know where that came from because it is not  
683   here.

684           Mr. Sensenbrenner. The disclosure is first-to-file  
685   which is contained in this bill, and I will talk about that  
686   later. But if you have to file, there is disclosure  
687   involved. By eroding prior user rights, you are going to be  
688   ending up disclosing something that may be covered by prior  
689   user rights that we have encouraged through the existing  
690   patent law.

691           And my time is up, so I yield back.

692           Chairman Smith. Thank you, Mr. Sensenbrenner.

693           I will recognize myself in opposition to the  
694   amendment.

695           The gentleman's amendment strikes the prior use

696 provisions from the bill, and that is why I oppose it. The  
697 bill and the manager's amendment contain a narrow expansion  
698 of prior user rights. Tech and other manufacturing  
699 companies have stated their hope that any switch to a first-  
700 to-file system would include an expansion of prior user  
701 rights. The legislation slightly expands the use of prior  
702 user rights to process patents which should cover all  
703 manufacturing operations but not to other technological  
704 patents. The user must also demonstrate that they have  
705 reduced the subject matter of the patent to practice and  
706 have commercially used it at least 1 year before the  
707 effective filing date.

708       Importantly, the language provides an exclusion that  
709 stipulates a prior use defense cannot be asserted against  
710 universities and tech transfer companies. The prior use  
711 defense is not overly expansive and will protect American  
712 manufacturers from having to patent the hundreds or  
713 thousands of processes they use in their plants.

714       Furthermore, this is the appropriate time, I think, to  
715 point out that there is wide and broad university support  
716 for H.R. 1249. It is supported by the Association of  
717 American Universities made up of 61 U.S. universities; by

718 the Association of Public and Land Grant Universities, 221  
719 schools; by the American Council on Education, 1,600-plus  
720 institutions and associates; and the Association of American  
721 Medical Colleges, 134 U.S. schools plus 400 teaching  
722 hospitals.

723 I will yield back the balance of my time, and the  
724 gentleman from Michigan, Mr. Conyers, is recognized for his  
725 comments.

726 Mr. Conyers. Thank you, Mr. Chairman.

727 I think this amendment and the presentation made by  
728 the chairman emeritus of the committee, Mr. Sensenbrenner,  
729 perfectly illustrates how we have to carefully think through  
730 what it is we are doing today.

731 Now, you are in lonely company, Chairman  
732 Sensenbrenner, over here because a quick reading tells me  
733 there is one member from Illinois that will support you, and  
734 I am desperately looking for others to increase your number.

735 First of all, I remember that it was during your  
736 chairmanship that one of the great bills on intellectual  
737 property got passed, and I think your observations that were  
738 pretty severe about the manager's amendment had some merit.  
739 And I support striking first-to-file but not removing prior

740 user rights.

741           And so if my commendations of your amendment seem a  
742 little bit half-hearted it is because they are. But I did  
743 want to give you as much credit as I could muster in favor  
744 of your major and important effort.

745           And I will yield.

746           Mr. Sensenbrenner. Will the gentleman yield?

747           The concern that I have with the change in prior user  
748 rights is that it effectively grants a limited license to  
749 people who don't disclose. That means that there will be  
750 more litigation basically with a claim that they had a prior  
751 user right but nobody knew they had a prior user right which  
752 ends up being a question of fact when there is a trial on  
753 patent infringement.

754           I hope to be more persuasive as time goes on, and I  
755 will be willing to, once again, follow the lead of my  
756 friend, the junior chairman emeritus, and withdraw the  
757 amendment and fight another day on the floor. But I would  
758 hope that before I do that, the chair would recognize the  
759 gentleman from Illinois, Mr. Quigley, who is my cosponsor  
760 and anybody else that wishes to speak in favor of this  
761 amendment before I withdraw it.

762 Mr. Conyers. I yield back, Mr. Chairman.

763 Chairman Smith. The gentleman yields to the gentleman  
764 from Illinois, Mr. Quigley.

765 Mr. Quigley. I would defer to his withdrawal, but I  
766 appreciate his efforts. These are obviously very  
767 complicated issues, but I believe this is moving in the  
768 right direction and I look forward to working with him on  
769 this matter.

770 Chairman Smith. Thank you, Mr. Quigley.

771 The gentleman yields back his time and the gentleman  
772 from Wisconsin is recognized in hopes that he will withdraw  
773 his amendment. We will continue working with him.

774 Mr. Sensenbrenner. Yes. Mr. Chairman, I ask  
775 unanimous consent that the amendment be withdrawn, but this  
776 is not the last you have heard about this.

777 [Laughter.]

778 Chairman Smith. Withdrawn under those circumstances,  
779 without objection.

780 The gentleman from North Carolina, Mr. Watt, is  
781 recognized for an amendment.

782 Mr. Watt. I have an amendment at the desk.

783 Chairman Smith. The clerk will report the amendment

784 to the amendment.

785 Mr. Watt. It is number 2 on the list, I think.

786 Number 3 on the list.

787 Ms. Kish. "Amendment to the amendment to H.R. 1249

788 offered by Mr. Watt of North Carolina, Mr. Goodlatte of

789 Virginia, and Mr. Berman of California. Page 7 of the

790 amendment, line 11, strike" --

791 Chairman Smith. Without objection, the amendment is

792 considered as read.

793 [The information follows:]

794

795 Chairman Smith. And the gentleman from North Carolina  
796 is recognized to explain the amendment.

797 Mr. Watt. Let me make sure I got the right one first.  
798 Yes, Mr. Chairman. Actually I intended to offer the other  
799 one, but since I have the floor, I will go ahead and offer  
800 this one. The other one actually may have been even less  
801 controversial but I don't think one is controversial either.

802 This basically just changes a 4-year period in the  
803 bill to a 6-year period. My preference would have been for  
804 a 10-year period but I am reasonably satisfied that this  
805 will get us to a point to move a bill down the road. And I  
806 would ask my colleagues to support it, and I think we have  
807 pretty strong support for it.

808 So I will yield back and not prolong the discussion.

809 Chairman Smith. Thank you, Mr. Watt. And as I  
810 understand it, you are offering this amendment, are you not,  
811 on behalf of Mr. Goodlatte and Mr. Berman as well?

812 Mr. Watt. On behalf of Mr. Goodlatte and Mr. Berman,  
813 right.

814 Chairman Smith. The chair agrees with the gentleman  
815 from North Carolina and is prepared to accept the amendment.  
816 And I thank the gentleman for offering it.

817 Are there any other members who wish to speak on this  
818 amendment?

819 [No response.]

820 Chairman Smith. If not, the question is on the  
821 amendment to the amendment. All those in favor, say aye.

822 [Chorus of ayes.]

823 Chairman Smith. Opposed, no.

824 [No response.]

825 Chairman Smith. In the opinion of the chair, the ayes  
826 have it and the amendment to the amendment is agreed to.

827 The gentleman from Wisconsin is recognized for  
828 purposes of offering an amendment.

829 Mr. Sensenbrenner. Number 2 and it is SENSEN\_017.  
830 17. I am sorry.

831 Chairman Smith. It is amendment number 17.

832 Mr. Sensenbrenner. This is the amendment that strikes  
833 first-to-file.

834 Chairman Smith. The clerk will report the amendment.

835 Ms. Kish. "Amendment to the amendment offered by Mr.  
836 Smith to H.R. 1249 offered by Mr. Sensenbrenner of  
837 Wisconsin."

838 Mr. Sensenbrenner. Mr. Chairman, I ask unanimous

839 consent the amendment be considered as read.

840 Chairman Smith. Without objection.

841 [The information follows:]

842

843 Chairman Smith. And the gentleman is recognized to  
844 explain the amendment.

845 Mr. Sensenbrenner. Mr. Chairman, this amendment  
846 strikes the first-to-file provision that is contained in the  
847 manager's amendment. I want to make several points.

848 First of all, going to first to file in my opinion  
849 violates Article I, section 8, clause 8 of the Constitution.  
850 And our courts from the earliest days of the republic have  
851 recognized that the right that is contained in the  
852 Constitution accrues from the time of the invention rather  
853 than the time the invention is patented. Chief Justice John  
854 Marshall in 1813, for example, said the Court recognized a  
855 property right of the inventor from the moment of invention,  
856 which was only perfected by the patent. That is Evans v.  
857 Jordan, 1813.

858 And in 1829, the Supreme Court opined that under the  
859 Constitution, the right is created by the invention and not  
860 by the patent. And that is the case of Pennock v. Dialogue,  
861 27 U.S. 1 in 1829.

862 Now, going to first-to-file hurts entrepreneurs and  
863 start-ups. When an entrepreneur creates an invention,  
864 usually he doesn't have the money to start a start-up

865 operation to actually market that invention. So he has got  
866 to go to a venture capitalist, and the venture capitalist  
867 and the inventor can come to a conclusion on whether or not  
868 the product or the system ends up being marketable and the  
869 venture capitalist makes his decision to fund it based upon  
870 that.

871         Going to first-to-file ends up wrecking that system  
872 because a venture capitalist, while he is doing his due  
873 diligence frankly, is not going to end up being short-  
874 circuited by somebody else drops an application into the  
875 Patent Office and thus ends up having the rights on this.

876         It changes the structural basis for considering patent  
877 validity because of making a patent a "forced to file" race  
878 to the USPTO, and it will end up resulting in excessive  
879 filings in an overburdened Patent Office. So we are talking  
880 about unconscionable delays that we are hoping that the end  
881 of the diversion will end up solving. However, there are  
882 going to be a lot more applications that examiners are going  
883 to have to go through and reach some kind of a decision on.

884         It structurally undermines the progress and process of  
885 scientific research, and that harkens back to the argument  
886 that I made when, on a bipartisan basis, the Science

887 Committee at the end of the 1990's during the Clinton  
888 administration changed the efforts where the Federal  
889 Government would spend its scarce money in fostering basic  
890 research rather than applied research.

891         The America Invents Act, with the amendment proposed  
892 by the chairman, will give us a European-style patent  
893 system, I think, essentially with no grace period because of  
894 first-to-file. What we are doing with the manager's  
895 amendment without my amendment is something -- one, is  
896 constitutionally suspect, but secondly, I would ask the  
897 members of the committee to think long and hard about how we  
898 throw out 200 years of established law going from first-to-  
899 invent to first-to-file to basically follow the lead of the  
900 Europeans where we are the most inventive country in the  
901 world and we want to stay that way.

902         I yield back the balance of my time.

903         Chairman Smith. Thank you, Mr. Sensenbrenner.

904         I do strongly oppose this amendment. This goes to the  
905 heart of the bill and our ability to modernize our patent  
906 reform system.

907         The gentleman's amendment strikes the first-to-file  
908 provisions from the bill. The current first-to-invent

909 system harms small businesses and independent inventors.  
910 Former PTO Commissioner Gerald Mossinghoff conducted a study  
911 in 2002 that proves smaller entities are disadvantaged in  
912 PTO interference proceedings that arise from disputes over  
913 patent ownership under the current system. Independent  
914 inventors and small companies lose as much as they win in  
915 these disputes, plus bigger companies are better able to  
916 absorb the cost of participating in these protracted  
917 proceedings.

918         The switch won't result in poorly drafted applications  
919 either. An inventor who isn't sure if they want to file a  
920 complete application may still file a provisional  
921 application. This allows the inventor an entire year to  
922 complete the application while retaining the earlier filing  
923 date.

924         In addition, many inventors also want protection for  
925 their patents outside the United States, particularly in  
926 this modern era. Since the rest of the developed world uses  
927 a first-to-file system, U.S. inventors who want protection  
928 overseas have every incentive to file a solid application as  
929 soon as possible.

930         Accusations that the bill doesn't preserve the 1-year

931 grace period are simply not true. The grace period protects  
932 the ability of an inventor to discuss or write about his  
933 ideas for a patent up to 1 year before he or they file for  
934 patent protection. Without the grace period, an individual  
935 who does this defeats his own patent. Since the publicly  
936 disseminated information constitutes prior art, it renders  
937 the invention non-novel and obvious.

938 So the first-to-file change makes it easier and less  
939 complicated for U.S. inventors to get patent protection here  
940 and around the world, and it eliminates the subjectivity,  
941 evidentiary complications, and legal bills that come with  
942 interference proceedings under the current system.

943 As I mentioned, this is a key provision to the bill  
944 and I urge my colleagues to resist this amendment. And that  
945 concludes my opposition.

946 Mr. Conyers. Mr. Chairman

947 Chairman Smith. The gentleman from Michigan is  
948 recognized for his comments on the amendment.

949 Mr. Conyers. Thank you, Mr. Chairman.

950 I rise to support the Sensenbrenner amendment with  
951 much more enthusiasm than I placed in his first amendment.  
952 I think this is a very important part of this bill, what we

953 do here on this amendment.

954           The grace period, prior user rights, the definition of  
955 prior art have all been altered over the last few days so  
956 many times you can't count it. And it is because this is a  
957 very complex provision, and I think striking centuries of  
958 American patent law is something that should not be rushed  
959 in at the last minute.

960           What I am asking is that we study this. This is not a  
961 time to make this important decision based on what I have  
962 heard was going on with the various caucuses and meetings  
963 over the last few days. And so I strongly support this  
964 amendment that strikes the first-to-file conversion.

965           And I thank the chairman.

966           Chairman Smith. Thank you, Mr. Conyers.

967           Are there other members who wish to comment on this  
968 amendment?

969           Ms. Lofgren. Mr. Chairman?

970           Chairman Smith. We will go back to the gentlewoman  
971 from California. Ms. Lofgren is recognized.

972           Ms. Lofgren. I move to strike the last word.

973           Chairman Smith. The gentlewoman is recognized for 5  
974 minutes.

975           Ms. Lofgren. I am not prepared to support Mr.  
976 Sensenbrenner's amendment at this time. However, I do have  
977 a concern that parallels the points just made by Mr.  
978 Conyers.

979           As you know, Mr. Chairman, I had requested a revision  
980 of section 2(b) of the underlying bill to reflect the  
981 colloquy that was undertaken between Senator Hatch and  
982 Senator Leahy that addressed an ambiguity or a perceived  
983 ambiguity relative to prior art under section 102(a) and its  
984 interplay with 102(b). I thought that if it was ambiguous,  
985 that it ought to be clarified.

986           However, what has been put in the manager's amendment  
987 up-ends 100 years of patent law. I mean, we cannot have  
988 this definition.

989           I understand that the chair has refocused on this  
990 issue.

991           I am going to be offering an amendment to strike this  
992 section of the manager's amendment after the noticed  
993 amendments have been taken up. Should that amendment to  
994 strike not succeed, I will then be prepared to support Mr.  
995 Sensenbrenner's motion to strike first-to-file because we  
996 cannot proceed with first-to-file with this definition of

997 prior art.

998 I just wanted to put that out as a concern and a  
999 bottom line for me and explain why I -- you know, I think  
1000 that the first-to-file system has worked throughout the  
1001 world, but without adequate protections and carefully  
1002 defined prior user rights, which I think despite, I am sure,  
1003 the best efforts fall short in the current draft, I could  
1004 not support the provision.

1005 I yield back the balance of my time.

1006 Chairman Smith. Thank you, Ms. Lofgren.

1007 Are there other members who wish to speak on this  
1008 amendment?

1009 Mr. Goodlatte. Mr. Chairman?

1010 Chairman Smith. The gentleman from Virginia, Mr.  
1011 Goodlatte, is recognized.

1012 Mr. Goodlatte. I would like to engage the chairman in  
1013 a colloquy if I might.

1014 Mr. Chairman, the colloquy I would like to engage you  
1015 in involves the provision included in your manager's  
1016 amendment that pertains to prior art. I understand that  
1017 some of the stakeholders are supportive of these changes;  
1018 others have raised important questions about the language on

1019 page 2 of the manager's amendment pertaining to issues of  
1020 prior art. While we are certain that the bill provides an  
1021 absolute 1-year grace period, it may make sense to continue  
1022 to refine this language to ensure that we are able to  
1023 address some of the concerns raised.

1024 And I would like to ask unanimous consent to include  
1025 in the record some of the specific concerns raised about the  
1026 language, and I would like to work with you to look at  
1027 that --

1028 Ms. Lofgren. Reserving the right to object.

1029 Chairman Smith. The gentlewoman from California  
1030 reserves the right to object.

1031 And the gentleman will continue.

1032 Mr. Goodlatte. Would there be objection to putting in  
1033 the record concerns raised by individuals about language in  
1034 the bill?

1035 I would like to work with the chairman to look at  
1036 potential language for an amendment or, if necessary,  
1037 possibly returning the bill back to the original House and  
1038 Senate text.

1039 Ms. Lofgren. If I may, on my reservation, Mr.  
1040 Chairman.

1041 Chairman Smith. Okay. Without objection to that.

1042 And let me respond to the gentleman.

1043 First of all, without objection, the unanimous

1044 consent --

1045 Ms. Lofgren. No. I object.

1046 Chairman Smith. Oh, you do object.

1047 Ms. Lofgren. I object or I reserve the right to

1048 object if I cannot be heard on my reservation.

1049 Chairman Smith. I thought I heard you withdraw that

1050 objection.

1051 Ms. Lofgren. No.

1052 Chairman Smith. Okay.

1053 The gentlewoman is recognized to state the grounds for

1054 her objection.

1055 Ms. Lofgren. The reservation is this, Mr. Goodlatte.

1056 There is substantial concern about this provision. In fact,

1057 if this provision is not removed from the bill during this

1058 markup, I will vote against the bill. I had said -- I think

1059 you were just entering the room -- that I am going to offer

1060 an amendment to delete this provision. I would certainly be

1061 happy to sit down with you and the chairman and, I am sure,

1062 Mr. Conyers and others to work through whether we could, in

1063 fact, come up with language that matches the colloquy  
1064 undertaken by Senators Leahy and Hatch, which is what we  
1065 intended to do. But I would have grave concern about just a  
1066 promise to do something about it. This provision has to be  
1067 removed. And then if we can come up with an agreement, we  
1068 can add it back in on the floor.

1069 I didn't have a chance to say that without reserving  
1070 the right to object to the inclusion of the colloquy which  
1071 certainly I do not object to the inclusion of that.

1072 Mr. Goodlatte. Well, I thank the gentlewoman, and I  
1073 yield to the chairman.

1074 Chairman Smith. Well, if the gentleman will yield.  
1075 Without objection, that will be made a part of the record.

1076 [The information follows:]

1077

1078 Chairman Smith. And let me commit to the gentleman  
1079 from Virginia and the gentlewoman from California, Ms.  
1080 Lofgren, and any other colleagues interested in this  
1081 language that I will continue to work with you between the  
1082 full committee and the House floor. I will work with you  
1083 more enthusiastically if the individuals involved actually  
1084 help us get the bill out of committee.

1085 Ms. Lofgren. Will the gentleman yield for a question?

1086 Chairman Smith. And I will yield to the gentlewoman  
1087 from California.

1088 Ms. Lofgren. Would the gentleman agree to preserve  
1089 our ability to move forward, that he could support my  
1090 amendment to strike the language so that we have a clean  
1091 slate to move forward?

1092 Chairman Smith. No. I cannot commit to that at  
1093 this --

1094 Ms. Lofgren. Then you are going to end up with a lot  
1095 of no votes on this bill today, Mr. Chairman.

1096 Chairman Smith. I thank the gentlewoman for her  
1097 comments.

1098 Is there someone else who wishes to be recognized?

1099 Ms. Jackson Lee. Mr. Chairman?

1100 Chairman Smith. The gentlewoman from Texas, Ms.  
1101 Sheila Jackson Lee.

1102 Ms. Jackson Lee. Mr. Chairman, as I listened to my  
1103 colleagues, I am certainly uncomfortable that we have some  
1104 outstanding issues, and I might be more extreme in my  
1105 recommendation which is on some of these issues that the  
1106 subcommittee can more fully explore as we make our way to  
1107 the floor.

1108 But I would like to -- on the concerns that my  
1109 colleagues have raised and I associate with their concern,  
1110 but I would like to raise a general framework on the  
1111 question of the underlying amendment of the gentleman  
1112 striking first-to-file.

1113 I would argue that it is important to modernize our  
1114 system, and I believe that the Patent and Trade Office  
1115 supports the first-to-file. I think the large aspects of  
1116 our job-creating community supports it, and I believe it is  
1117 crucial in this context of creating jobs. The rest of the  
1118 world has already started and utilized first-to-file. And I  
1119 think that in order to compete with that kind of competitive  
1120 atmosphere, it is important.

1121 The fee structure is good to change and hopefully that

1122 will be a better format.

1123           But the first-to-file is still an appropriate approach  
1124 to take. I believe it gives inventors stability and when  
1125 you expressed the concern for universities, I am concerned  
1126 about them as well. And I think we have an obligation, if  
1127 this bill is to ever pass, to make sure that our outreach to  
1128 all aspects of inventors from research institutions to  
1129 Silicon Valley to large airplane builders is made known.

1130           I also think that whatever side that you fell on this  
1131 particular situation, I am recalling the situation with  
1132 BlackBerry where we almost collapsed the system because of a  
1133 lawsuit filed indicating that there had been a prior use and  
1134 therefore that this was not an invention solely to  
1135 BlackBerry. Whether that was the case or not, I think the  
1136 first-to-file can help improve that situation.

1137           Now, I am concerned about small consumers, small  
1138 inventors, small business persons, and frankly I believe  
1139 that if this information is generated, even that size  
1140 inventor can be protected. With the understanding of the  
1141 system being first-to-file, that small business person, that  
1142 small inventor can be impacted positively because they can  
1143 file and be protected from any other aspect.

1144           So the question for me is how do you promote a greater  
1145 job creation, and I think you do so by ensuring that  
1146 inventions are protected and that we are able to compete  
1147 worldwide. Why are we second step to the way the world does  
1148 it?

1149           I would not, however, want to overlook some of the  
1150 concerns that my colleagues have mentioned, but I do believe  
1151 that first-to-file is modernizing the system and would be  
1152 worthy of our consideration.

1153           With that, I oppose the amendment and I yield back.

1154           Chairman Smith. Thank you, Ms. Jackson Lee.

1155           Are there other members who wish to be heard on this  
1156 amendment?

1157           [No response.]

1158           Chairman Smith. If not, let me say publicly to the  
1159 gentlewoman from California, Ms. Lofgren, that we, after  
1160 some discussion in the last couple minutes, expect to be  
1161 able to work with her on the language that she described a  
1162 minute ago.

1163           If there are no other members who wish to be heard, we  
1164 will vote on the amendment. All in favor of the amendment,  
1165 say aye.

1166 [Chorus of ayes.]

1167 Chairman Smith. All opposed, say no.

1168 [Chorus of nays.]

1169 Chairman Smith. In the opinion of the chair, the noes  
1170 have it and the amendment to the amendment is not agreed to.

1171 Are there other amendments to the manager's amendment?

1172 And the gentleman from North Carolina, Mr. Watt, is  
1173 recognized for his amendment.

1174 Mr. Watt. Mr. Chairman, I have an amendment at the  
1175 desk.

1176 Chairman Smith. The clerk will report the amendment.

1177 Mr. Watt. It is number 5 on the list.

1178 Ms. Kish. "Amendment to the amendment offered by Mr.  
1179 Smith to H.R. 1249" --

1180 Mr. Watt. I ask unanimous consent the amendment be  
1181 considered as read.

1182 Chairman Smith. Without objection, the amendment will  
1183 be considered as read.

1184 [The information follows:]

1185

1186 Chairman Smith. And the gentleman is recognized to  
1187 explain his amendment.

1188 Mr. Watt. Mr. Chairman, I thank you.

1189 Again, this is a noncontroversial amendment. It just  
1190 kind of cleans up some language about the report to be filed  
1191 with Congress after the PTO has made various studies. We  
1192 thought the language that was in the manager's amendment  
1193 presumed the outcome of the study, and this does not presume  
1194 the outcome of the study. It gets it back to a more  
1195 balanced description of what we want the PTO to do and what  
1196 we want them to report on.

1197 So with that, Mr. Chairman, I think there is pretty  
1198 broad support for this, and I will yield back.

1199 Chairman Smith. Thank you, Mr. Watt.

1200 And I recognize myself in support of the amendment.

1201 Reducing frivolous and abusive litigation on the  
1202 patent system is an important goal, and I want to thank Mr.  
1203 Chaffetz for recommending the inclusion of the GAO report to  
1204 study abusive patent litigation. I believe that this report  
1205 will provide us with very valuable information about the  
1206 economic impact of such litigation.

1207 Not only do I have no objection to Mr. Watt's

1208 clarifying amendment, I strongly support it.

1209 Are there any other members who wish to be heard on  
1210 this amendment?

1211 [No response.]

1212 Chairman Smith. If not, all those in favor, say aye.

1213 [Chorus of ayes.]

1214 Chairman Smith. All those opposed, nay.

1215 [No response.]

1216 Chairman Smith. In the opinion of the chair, the ayes  
1217 have it and the amendment to the amendment is agreed to.

1218 Are there other amendments? The gentleman from  
1219 Virginia, Mr. Goodlatte, is recognized.

1220 Mr. Goodlatte. Mr. Chairman, I have an amendment at  
1221 the desk, Goodlatte number 6.

1222 Chairman Smith. The clerk will report the amendment.

1223 Ms. Kish. "Amendment to the amendment offered by Mr.  
1224 Smith to H.R. 1249" --

1225 Mr. Goodlatte. Mr. Chairman, I ask unanimous consent  
1226 the amendment be considered as read.

1227 Chairman Smith. Without objection.

1228 [The information follows:]

1229

1230 Chairman Smith. And the gentleman is recognized to  
1231 explain his amendment.

1232 Mr. Goodlatte. Thank you, Mr. Chairman.

1233 This amendment makes a technical correction to the  
1234 joinder provisions in the manager's amendment. The  
1235 manager's amendment refers to "actions." My amendment  
1236 simply adds the words "or trial" to the word "action" to  
1237 make clear that the relevant provisions in the joinder  
1238 section apply to all such proceedings.

1239 This amendment also fixes a drafting error in the  
1240 manager's amendment. When an inter partes review is filed,  
1241 the PTO director must look at the petition and the patent  
1242 owner's response to determine whether to institute the  
1243 proceeding. The manager's amendment inadvertently deleted  
1244 the wording that required the director to consider the  
1245 patent owner's response. This amendment corrects that and  
1246 makes clear that the director must also weigh the  
1247 information contained in the patent owner's response to the  
1248 petition for an inter partes review.

1249 Finally, this amendment removes section 298(b) from  
1250 the manager's amendment. This section, unfortunately,  
1251 injects more uncertainty than certainty in the litigation

1252 process. When Congress first entered into the patent debate  
1253 well over 6 years ago, one of the driving goals of  
1254 legislation was to reduce patent litigation abuses. As a  
1255 general matter, joinder language accomplishes this purpose  
1256 by ensuring that only those parties related to a single  
1257 cause of action are brought together in the same suit. This  
1258 provision, however, would have the opposite effect. In  
1259 fact, upon close reading, it would increase the size and  
1260 complexity of patent cases to the detriment of American  
1261 manufacturing, one of the very institutions we are seeking  
1262 to help.

1263 First, this provision opens the potential for new  
1264 tricks in litigation by requiring the joinder of any party  
1265 who is alleged to have made a product or used a process that  
1266 caused infringement. This provision invites defendants who  
1267 use but are unable to join foreign manufacturers to join  
1268 domestic manufacturers on the eve of trial regardless of  
1269 whether they actually manufactured the allegedly infringing  
1270 component.

1271 Second, by distinguishing between the treatment of  
1272 suits brought against manufacturing and non-manufacturing  
1273 entities, the provision introduces uncertainty into the

1274 litigation process. A single piece of technology is often  
1275 the result of dozens of partnerships ranging from the  
1276 hardware to the operating system to the additional software.  
1277 Under this language, a manufacturer could potentially be the  
1278 maker of each individual component or of the overall device.  
1279 As such, a suit brought against a single defendant could  
1280 result in a joinder of dozens of additional companies, none  
1281 of whom had any reason to anticipate the litigation. By  
1282 introducing new complexities into the litigation system, it  
1283 potentially unwinds the advances made by the general joinder  
1284 provision in the bill and, as such, should be removed.

1285 And I urge my colleagues to support the amendment.

1286 Chairman Smith. Thank you, Mr. Goodlatte.

1287 I strongly support this amendment. It makes  
1288 improvements to the manager's amendment and closes a  
1289 loophole in the joinder provision.

1290 Specifically, in cases of large, multi-party  
1291 litigation, there may be instances in which the cases are  
1292 divided appropriately or when the trial begins, a judge  
1293 decides to circumvent the provision and bring several  
1294 unrelated cases together. This provision will close that  
1295 loophole and ensure that the provision is effective.

1296           Additionally, the amendment drops the provision in the  
1297 manager's amendment dealing with stays of action against  
1298 non-manufacturing parties. Though the intention of the  
1299 manager's amendment was to solve a lot of harms that occur  
1300 to downstream customers and sellers of manufactured goods,  
1301 it appears that along with the good, there is also potential  
1302 for abuse. Though the underlying provision appeared to be a  
1303 good litigation reform measure, on balance I agree it makes  
1304 sense to take it out of the bill at this point.

1305           Additionally, the amendment also makes a technical fix  
1306 so that the PTO director will consider the patent owner's  
1307 response in making a determination on inter partes review.  
1308 This fix reflects what is currently in H.R. 1249 and in the  
1309 Senate bill.

1310           As I say, I support the gentleman's amendment.

1311           Are there other members who wish to be heard on this  
1312 amendment?

1313           Mr. Watt. Mr. Chairman?

1314           Chairman Smith. The gentleman from North Carolina,  
1315 Mr. Watt.

1316           Mr. Watt. Just briefly to express my support for the  
1317 amendment. We have reviewed it. We think it is a

1318 constructive move. Thank you.

1319 Chairman Smith. I thank the gentleman.

1320 If there are no other members who wish to be heard on  
1321 the amendment, all those in favor, say aye.

1322 [Chorus of ayes.]

1323 Chairman Smith. All those opposed, no.

1324 [No response.]

1325 Chairman Smith. In the opinion of the chair, the ayes  
1326 have it. The amendment to the amendment is agreed to.

1327 We will now go to the next amendment which is going to  
1328 be offered by the gentlewoman from California, Ms. Lofgren.  
1329 And she is recognized for that purpose.

1330 Ms. Lofgren. Thank you, Mr. Chairman. I have an  
1331 amendment at the desk, Lofgren number 7.

1332 Chairman Smith. The clerk will report the amendment.

1333 Ms. Kish. "Amendment to the amendment offered by Mr.  
1334 Smith to H.R. 1249 offered by Ms. Zoe Lofgren of  
1335 California."

1336 Ms. Lofgren. I would ask unanimous consent that the  
1337 amendment be considered as read.

1338 Chairman Smith. Without objection the amendment to  
1339 the amendment will be considered as read.

1340 [The information follows:]

1341

1342 Chairman Smith. And the gentlewoman is recognized to  
1343 explain her amendment.

1344 Ms. Lofgren. Thank you, Mr. Chairman.

1345 Current law provides no deadline for a party to file a  
1346 petition for an IPR even after it is sued for infringement  
1347 of the same patent in district court.

1348 The manager's amendment sets a 12-month deadline for a  
1349 party to file a petition starting from when the party is  
1350 served with the complaint for infringement.

1351 My amendment sets the deadline at 30 days after the  
1352 district court enters an order construing the claims of the  
1353 patent, known as the Markman hearing.

1354 The inter partes review is a crucial tool in our  
1355 patent system. It can provide an effective and less  
1356 expensive alternative to litigation by allowing third  
1357 parties to request a reexamination of a patent's validity by  
1358 the PTO based on specific types of prior art. The procedure  
1359 is, in effect, insurance against patents that should never  
1360 have been issued in the first place and which do not  
1361 represent genuine innovation. This is particularly  
1362 important in the information technology industry. As this  
1363 committee is aware, many IT products from servers to

1364 software to websites are ensnared in a thicket of  
1365 overlapping patents, many of which are broadly written,  
1366 highly abstract, and of dubious validity.

1367         Director Kappos is taking admirable steps at the PTO  
1368 to improve patent quality and filter out more invalid  
1369 applications, but even if he succeeds, we are still left to  
1370 deal with all of the bad patents that already exist. That  
1371 is why inter partes review is so important as an alternative  
1372 to litigation.

1373         Under current law, if someone is sued for patent  
1374 infringement, there is no deadline for them to file, as I  
1375 mentioned. The manager's amendment changes it to 12 months.  
1376 I recognize that some deadline is warranted to address the  
1377 worries from patent owners who have worries about undue  
1378 delay. However, 12 months is an arbitrary figure and it  
1379 does not square with the reality of many complex patent  
1380 cases. It is important to understand that defendants often  
1381 have no prior knowledge or notice of the patents at issue  
1382 before they are sued and, therefore, have no opportunity to  
1383 file a petition for inter partes review in advance. Many of  
1384 these suits start out with an overwhelming number of patents  
1385 and claims at issue. For example, one recent infringement

1386 suit involved 31 patents, 1,975 claims, and 65 different  
1387 defendants. Many patents and claims fall away as the  
1388 litigation progresses.

1389         In a crucial stage of patent litigation, based on what  
1390 is known as the Markman hearing, the court will reach  
1391 decisions on claim construction, in other words, what the  
1392 patents at issue actually mean, to determine at trial  
1393 whether they were infringed. Until that decision, the  
1394 defendants often don't have a clear sense of the core issues  
1395 in the case or even which specific patents and claims will  
1396 be raised at trial. This means that they have little basis  
1397 to prepare an effective petition for IPR that can focus on  
1398 the genuine issues in litigation. In these instances, 12  
1399 months is simply not enough time to do the voluminous work  
1400 that is required to file.

1401         My amendment would replace the arbitrary 12-month  
1402 figure by tying the deadline to the completion of the  
1403 Markman hearing. Under the amendment, a defendant would  
1404 have only 30 days to file an inter partes petition after the  
1405 court reaches a decision on claim construction. By the time  
1406 claim construction happens, we can be confident that the  
1407 defendant will have had adequate time and notice of the

1408 genuine issues in the case in order to prepare an effective  
1409 petition.

1410 I think this is a fair approach for both the patent  
1411 owner and those accused of infringement. It preserves the  
1412 ability of inter partes while still preventing undue delay,  
1413 and while there is no deadline tied to litigation in the  
1414 status quo, proponents of strict deadlines really haven't  
1415 given any real world examples that I am aware of of inter  
1416 partes challenges that have been unduly delayed or harm that  
1417 would occur therefor.

1418 So if there are concerns, they are theoretical, and  
1419 regardless of the deadline, defendants have a significant  
1420 incentive to file their petitions for IPR as early as  
1421 possible. If the defendant waits too long to file, it could  
1422 lose at trial and be forced into paying damages for  
1423 infringement before the PTO makes a decision to invalidate  
1424 the patent.

1425 So I think this amendment is a middle ground and  
1426 improves the bill, and I hope that the members will see fit  
1427 to approve it.

1428 And I yield back.

1429 Chairman Smith. Thank you, Ms. Lofgren.

1430 I will recognize myself in opposition to the  
1431 amendment.

1432 This amendment expands the inter partes review program  
1433 from 12 months after the filing of a civil action to 30 days  
1434 after the Markman hearing. This amendment could create an  
1435 open-ended process because there is actually no guarantee  
1436 that a Markman hearing will even take place. The inter  
1437 partes proceeding in H.R. 1249 has been carefully written to  
1438 balance the need to encourage its use while at same time  
1439 preventing the serial harassment of patent holders. This  
1440 bill represents a delicate balance, and making such a core  
1441 change to the deadline may turn the inter partes program  
1442 into a tool for litigation gamesmanship rather than a  
1443 meaningful and less expensive alternative to litigation.

1444 For those reasons, I oppose the amendment.

1445 Are there other members who wish to be heard on this  
1446 amendment?

1447 [No response.]

1448 Chairman Smith. If not, we will vote on it. All  
1449 those in -- the gentleman from California, Mr. Berman, is  
1450 recognized.

1451 Mr. Berman. Mr. Chairman, the issue you raise -- I

1452 rise to suggest an alternative to the amendment, although I  
1453 think the amendment is good.

1454         If there is a Markman hearing, that is the logical  
1455 time to cut off the ability to stay a court case, 30 days  
1456 afterwards. So on the face of it, I think the amendment  
1457 makes sense. You raise legitimately what if there is no  
1458 Markman hearing. So what if the gentlelady's amendment said  
1459 the Markman hearing or no later than 18 months so that if  
1460 there were no Markman hearing, the time set, they could not  
1461 go beyond the 18 months? Would that make it then more  
1462 attractive to you? It would deal with this issue of no  
1463 Markman hearing.

1464         Remember, under existing law -- first of all, the stay  
1465 is never mandated. The court gets to decide whether or not  
1466 to have a stay. And your bill, I think, is a positive  
1467 improvement on the Senate language which was only 6 months,  
1468 but conceptually knowing what claims are going to be  
1469 litigated makes the most sense in terms of telling the  
1470 defendant they no longer can use inter partes reexam as an  
1471 effort to stall the litigation. They got to do it within 30  
1472 days of the Markman hearing or if they haven't gotten the  
1473 Markman hearing or aren't going to get a Markman hearing, no

1474 later than 18 months.

1475 Chairman Smith. Thank you, Mr. Berman.

1476 Mr. Berman. That is my suggestion.

1477 Chairman Smith. At this point, I am not prepared to  
1478 accept that suggestion. If the gentlewoman wants to  
1479 withdraw the amendment, we can continue talking, but I  
1480 wouldn't want to mislead anybody either.

1481 Ms. Lofgren. If there is an interest in pursuing  
1482 this, I would be happy to withdraw to pursue it, but if the  
1483 chairman is saying I am really not interested in any changes  
1484 in the underlying bill, then I would rather have a vote.

1485 Chairman Smith. As I say, I don't want to mislead the  
1486 gentlewoman from California. Right now, I still feel  
1487 strongly opposed to the amendment, and I don't know if that  
1488 will change or not. It is up to her to take her risk.

1489 If not, we will proceed then. Are there any other  
1490 members who wish to speak on this amendment?

1491 [No response.]

1492 Chairman Smith. If not, we will vote. All those in  
1493 favor of the amendment will say aye.

1494 [Chorus of ayes.]

1495 Chairman Smith. All those opposed, no.

1496 [Chorus of nays.]

1497 Chairman Smith. The noes have it in the opinion of

1498 the chair and the amendment --

1499 Ms. Lofgren. Mr. Chairman, I would like a recorded

1500 vote on that.

1501 Chairman Smith. A recorded vote has been requested,

1502 and the clerk will call the roll.

1503 Ms. Kish. Mr. Smith?

1504 Chairman Smith. No.

1505 Ms. Kish. Mr. Smith votes no.

1506 Mr. Sensenbrenner?

1507 Mr. Sensenbrenner. Aye.

1508 Ms. Kish. Mr. Sensenbrenner votes aye.

1509 Mr. Coble?

1510 [No response.]

1511 Ms. Kish. Mr. Gallegly?

1512 Mr. Gallegly. Aye.

1513 Ms. Kish. Mr. Gallegly votes aye.

1514 Mr. Goodlatte?

1515 Mr. Goodlatte. No.

1516 Ms. Kish. Mr. Goodlatte votes no.

1517 Mr. Lungren?

1518 Mr. Lungren. Aye.

1519 Ms. Kish. Mr. Lungren votes aye.

1520 Mr. Chabot?

1521 Mr. Chabot. No.

1522 Ms. Kish. Mr. Chabot votes no.

1523 Mr. Issa?

1524 [No response.]

1525 Ms. Kish. Mr. Pence?

1526 Mr. Pence. No.

1527 Ms. Kish. Mr. Pence votes no.

1528 Mr. Forbes?

1529 Mr. Forbes. No.

1530 Ms. Kish. Mr. Forbes votes no.

1531 Mr. King?

1532 Mr. King. No.

1533 Ms. Kish. Mr. King votes no.

1534 Mr. Franks?

1535 Mr. Franks. No.

1536 Ms. Kish. Mr. Franks votes no.

1537 Mr. Gohmert?

1538 [No response.]

1539 Ms. Kish. Mr. Jordan?

1540 [No response.]

1541 Ms. Kish. Mr. Poe?

1542 [No response.]

1543 Ms. Kish. Mr. Chaffetz?

1544 Mr. Chaffetz. No.

1545 Ms. Kish. Mr. Chaffetz votes no.

1546 Mr. Griffin?

1547 Mr. Griffin. No.

1548 Ms. Kish. Mr. Griffin votes no.

1549 Mr. Marino?

1550 Mr. Marino. No.

1551 Ms. Kish. Mr. Marino votes no.

1552 Mr. Gowdy?

1553 Mr. Gowdy. No.

1554 Ms. Kish. Mr. Gowdy votes no.

1555 Mr. Ross?

1556 Mr. Ross. No.

1557 Ms. Kish. Mr. Ross votes no.

1558 Ms. Adams?

1559 [No response.]

1560 Ms. Kish. Mr. Quayle?

1561 Mr. Quayle. No.

1562 Ms. Kish. Mr. Quayle votes no.  
1563 Mr. Conyers?  
1564 Mr. Conyers. Aye.  
1565 Ms. Kish. Mr. Conyers votes aye.  
1566 Mr. Berman?  
1567 Mr. Berman. Aye.  
1568 Ms. Kish. Mr. Berman votes aye.  
1569 Mr. Nadler?  
1570 Mr. Nadler. Aye.  
1571 Ms. Kish. Mr. Nadler votes aye.  
1572 Mr. Scott?  
1573 Mr. Scott. Aye.  
1574 Ms. Kish. Mr. Scott votes aye.  
1575 Mr. Watt?  
1576 Mr. Watt. Aye.  
1577 Ms. Kish. Mr. Watt votes aye.  
1578 Ms. Lofgren?  
1579 Ms. Lofgren. Aye.  
1580 Ms. Kish. Ms. Lofgren votes aye.  
1581 Ms. Jackson Lee?  
1582 [No response.]  
1583 Ms. Kish. Ms. Waters?

1584 Ms. Waters. Aye.

1585 Ms. Kish. Ms. Waters votes aye.

1586 Mr. Cohen?

1587 Mr. Cohen. Aye.

1588 Ms. Kish. Mr. Cohen votes aye.

1589 Mr. Johnson?

1590 Mr. Johnson. Aye.

1591 Ms. Kish. Mr. Johnson votes aye.

1592 Mr. Pierluisi?

1593 Mr. Pierluisi. No.

1594 Ms. Kish. Mr. Pierluisi votes no.

1595 Mr. Quigley?

1596 [No response.]

1597 Ms. Kish. Ms. Chu?

1598 Ms. Chu. Aye.

1599 Ms. Kish. Ms. Chu votes aye.

1600 Mr. Deutch?

1601 Mr. Deutch. Aye.

1602 Ms. Kish. Mr. Deutch votes aye.

1603 Ms. Sanchez?

1604 [No response.]

1605 Ms. Kish. Ms. Wasserman Schultz?

1606 [No response.]

1607 Chairman Smith. The gentleman from California, Mr.

1608 Gallegly?

1609 Mr. Gallegly. How am I recorded?

1610 Ms. Kish. Aye.

1611 Mr. Gallegly. No.

1612 Ms. Kish. Mr. Gallegly votes no.

1613 Chairman Smith. The gentleman from Texas, Mr.

1614 Gohmert?

1615 Mr. Gohmert. No.

1616 Ms. Kish. Mr. Gohmert votes no.

1617 Chairman Smith. The gentleman from California, Mr.

1618 Issa?

1619 Mr. Issa. No.

1620 Ms. Kish. Mr. Issa votes no.

1621 Chairman Smith. Are there other members who wish to  
1622 vote or change their vote?

1623 Ms. Jackson Lee. Aye.

1624 Ms. Kish. Ms. Jackson Lee votes aye.

1625 Chairman Smith. The clerk will report.

1626 Ms. Kish. Mr. Chairman, 14 members voted aye; 17

1627 members voted nay.

1628 Chairman Smith. In the opinion of the chair, the noes  
1629 have it and the amendment to the amendment is not agreed to.

1630 We will now move on to the next amendment, and that  
1631 will be offered by the gentleman from Virginia, Mr.

1632 Goodlatte.

1633 Mr. Goodlatte. Thank you, Mr. Chairman. Mr.

1634 Chairman, I have an amendment at the desk, Goodlatte number  
1635 8.

1636 Chairman Smith. The clerk will report the amendment.

1637 Ms. Kish. "Amendment to the amendment offered by Mr.  
1638 Smith to H.R. 1249 offered by Mr. Goodlatte" --

1639 Chairman Smith. Without objection, the amendment will  
1640 be considered as read.

1641 [The information follows:]

1642

1643 Chairman Smith. And the gentleman from Virginia is  
1644 recognized to explain his amendment.

1645 Mr. Goodlatte. Thank you, Mr. Chairman.

1646 The underlying bill protects prior users of an idea if  
1647 they commercialize the idea at least 1 year prior to a  
1648 patent application. In addition, an inventor who intends to  
1649 file a patent is allowed to disclose an invention within 1  
1650 year before the filing date of the application without that  
1651 disclosure being considered prior art.

1652 The manager's amendment sought to make clear that a  
1653 product that would otherwise qualify for the assertion of a  
1654 prior use defense cannot claim prior user rights if the idea  
1655 is commercialized after a disclosure that occurs by an  
1656 inventor within the 1-year grace period. Unfortunately, the  
1657 way the language in the manager's amendment reads now such a  
1658 disclosure by the inventor would inadvertently be treated as  
1659 prior art, thus preventing the ability of the inventor to  
1660 patent his idea. This was not intended, and this amendment  
1661 fixes this drafting error in the manager's amendment to  
1662 clarify that disclosures by an inventor within the grace  
1663 period do not count as prior art, and I urge the members of  
1664 the committee to support this correction of a drafting

1665 error.

1666 Chairman Smith. Thank you, Mr. Goodlatte.

1667 I will recognize myself in support of the amendment.

1668 After getting initial input from the university  
1669 community, they came to us and recommended that we make the  
1670 additional change reflected in this amendment to ensure that  
1671 prior user rights will work effectively for all  
1672 stakeholders. Prior user rights are important as part of  
1673 our switch to a first-to-file system.

1674 Though the House bill requires the PTO to conduct a  
1675 study on the issue, I believe it is important to ensure that  
1676 we include these rights to help our job-creating  
1677 manufacturers across the United States. We have heard from  
1678 businesses that they may be unable to expand their factories  
1679 and hire American workers if they are prevented from  
1680 continuing to operate their facilities the way they have for  
1681 years. I think the prior user rights provisions, as amended  
1682 by the proposal, will help create jobs in America. It will  
1683 help our businesses grow and allow innovation to flourish.  
1684 I strongly support the amendment to strengthen and improve  
1685 the underlying provision in H.R. 1249.

1686 Are there other members who wish to be heard on the

1687 amendment?

1688 [No response.]

1689 Chairman Smith. If not, the gentleman from Wisconsin  
1690 is recognized.

1691 Mr. Sensenbrenner. Mr. Chairman, this is an amendment  
1692 that basically splits the bigger university community from  
1693 the universities that do a lot of research, much of which is  
1694 publicly funded. And the university community is nowhere  
1695 near unanimous on this issue.

1696 If this amendment is adopted, it is kind of a way of  
1697 obviating the arguments that I made in favor of my amendment  
1698 to strike the prior user rights section altogether, and it  
1699 is an admission that what is in the manager's amendment and  
1700 what is in the underlying bill is significantly deficient.  
1701 This amendment is kind of like putting a band aid on top of  
1702 a skin cancer because cosmetically nobody is able to see the  
1703 skin cancer itself because it is underneath the band aid.  
1704 However, the skin cancer is going to get bigger and bigger,  
1705 and actually what this does is put a block to the business  
1706 of university research, university-based research, much of  
1707 which is publicly funded. And we will end up wasting an  
1708 awful lot of our research money because there will not be

1709 the meld of academia and invention that has worked so well  
1710 for the last 30 or 40 years.

1711 So I hope everybody votes on this with their eyes  
1712 open. I am going to vote no because I think the prior user  
1713 rights thing needs to be retuned further or done away with  
1714 altogether, but it is an admission that most of the  
1715 arguments made against my amendment really were not well  
1716 taken. We need more time to think this through, and with  
1717 this amendment, we will not have that additional time.

1718 And I yield back.

1719 Chairman Smith. Thank you, Mr. Sensenbrenner.

1720 Are there other members who wish to speak on this  
1721 amendment? The gentleman from California, Mr. Berman, is  
1722 recognized.

1723 Mr. Berman. Mr. Chairman, I move to strike the last  
1724 word.

1725 Chairman Smith. The gentleman is recognized for 5  
1726 minutes.

1727 Mr. Berman. Because my eyes are open, I support this  
1728 amendment and think it is -- I sort of have the opposite  
1729 position as the gentleman from Wisconsin and perhaps for the  
1730 reasons he opposes, I support and urge its adoption.

1731 Chairman Smith. Are there other members who wish to  
1732 be heard on the amendment? The gentleman from New York, Mr.  
1733 Nadler, is recognized.

1734 Mr. Nadler. Mr. Chairman, I entered the room today  
1735 undecided on this amendment, but I have listened to the  
1736 arguments. And I hear from Mr. Sensenbrenner that this  
1737 amendment to a small degree cures the problems he sees with  
1738 the prior use problem, but it doesn't nearly go far enough.  
1739 Therefore, we should oppose it. If it improves the  
1740 situation, given the fact that we are supporting the prior  
1741 use expansion somewhat, which I think you have to do if you  
1742 are going to a first-to-file -- if you re going to a first-  
1743 to-file, I think you have to expand the prior use. If that  
1744 hash problems and if this inadequately from Mr.  
1745 Sensenbrenner's point of view solves that problem but  
1746 doesn't hurt in any other way, why shouldn't we do it? So I  
1747 support the amendment.

1748 I yield back.

1749 Chairman Smith. Thank you, Mr. Nadler.

1750 The gentlewoman from California, Ms. Lofgren?

1751 Ms. Lofgren. I move to strike the last word.

1752 Chairman Smith. The gentlewoman is recognized for 5

1753 minutes.

1754 Ms. Lofgren. I also support the amendment, and while  
1755 I have tremendous respect for Mr. Sensenbrenner, I do  
1756 realize that there are many in the university community who  
1757 have reached a conclusion contrary to that he has outlined,  
1758 including our mutual alma mater, Stanford University, that  
1759 has just publicly come forward in support of this amendment,  
1760 along with the university association. So I would like to  
1761 note my support of the amendment.

1762 I yield back.

1763 Chairman Smith. Thank you, Ms. Lofgren.

1764 Are there other members who wish to be heard on the  
1765 amendment?

1766 [No response.]

1767 Chairman Smith. If not, we will vote on the  
1768 amendment. All those in favor, say aye.

1769 [Chorus of ayes.]

1770 Chairman Smith. All those opposed, say nay.

1771 [Chorus of nays.]

1772 Chairman Smith. In the opinion of the chair, the ayes  
1773 have it and the amendment is agreed to.

1774 Are there other amendments? The gentlewoman from

1775 California, Ms. Chu? Is she prepared to offer an amendment?

1776 Ms. Chu. Yes, Mr. Chair. I have an amendment at the  
1777 desk, Chu number 11.

1778 Chairman Smith. And the clerk will report the  
1779 amendment.

1780 Ms. Kish. "Amendment to the Amendment offered by Mr.  
1781 Smith to H.R. 1249 offered by Ms. Chu" --

1782 Chairman Smith. Without objection, the amendment will  
1783 be considered as read.

1784 [The information follows:]

1785

1786 Chairman Smith. And the gentlewoman from California  
1787 is recognized to explain her amendment.

1788 Ms. Chu. Mr. Chair, a longstanding goal of patent  
1789 reform has been to improve the U.S. Patent and Trademark  
1790 Office's administrative procedures for challenging poor  
1791 quality patents through reexamination. This procedure, if  
1792 effective, can be an important tool to avoid costly  
1793 litigation and ensure the overall quality of patents by  
1794 encouraging the resolution of complex questions of patent  
1795 validity by the experts at the PTO instead of lay jurors.

1796 Rather than expanding the availability of the PTO's  
1797 inter partes reexamination, the manager's amendment imposes  
1798 new restrictions that makes invoking this procedure more  
1799 difficult. Unfortunately, the manager's amendment creates  
1800 an unworkable standard for initiating inter partes  
1801 reexamination proceedings making it more difficult for  
1802 companies to weed out bad patents.

1803 Instead of restricting this important process, my  
1804 amendment would keep the current standard of a substantial  
1805 new question of patentability. To be clear, this is the  
1806 current threshold for entering the inter partes  
1807 reexamination process. Since the procedure was first

1808 created in 1999, PTO has issued decisions in 221  
1809 reexaminations and 90 percent of those resulted in the  
1810 invalidation of at least patent claim. Again, 90 percent of  
1811 the patents that go through the inter partes process under  
1812 the current threshold are found to be defective. Even PTO  
1813 Director Kappos testified that the current standard allows  
1814 the PTO to weed out meritless petitions.

1815 This is clearly a solution without a problem. I ask  
1816 you to support my amendment and reject the unworkable  
1817 standard that is in the current manager's amendment.

1818 Chairman Smith. Thank you, Ms. Chu.

1819 I will recognize myself in opposition to the  
1820 amendment.

1821 The balance that we have struck in the inter partes by  
1822 raising the threshold and extending the deadline to 12  
1823 months after the filing of a civil action is a fair deal.  
1824 But if we do as this amendment suggests and couple such a  
1825 1-year period of time to decide whether or not to even enter  
1826 inter partes with a lower threshold, it could create  
1827 problems for the PTO and open the program up to litigation  
1828 abuse. The lower threshold standard for inter partes really  
1829 does not make that much sense for infringing parties. Inter

1830 partes is designed so that you bring your best arguments in.  
1831 The program forces the party to make a decision, and if you  
1832 decide to initiate inter partes, you need to bring in your A  
1833 game. Inter partes review is not meant to simply be a  
1834 program that you can use to harass a patent owner. For it  
1835 to truly be a meaningful and cheaper alternative to  
1836 litigation, we must maintain the higher threshold. And for  
1837 those reasons, I oppose the amendment.

1838 Are there other members who wish to be heard on the  
1839 amendment? The gentleman from California, Mr. Berman?

1840 Mr. Berman. Yes, Mr. Chairman. I want to speak in  
1841 favor of the Chu amendment. The Patent Office has made it  
1842 quite clear that the threshold proposed by the Chu  
1843 amendment, as opposed to the one in the current bill and in  
1844 the Senate bill, is something they can work with very  
1845 easily. They have been working with that threshold all the  
1846 time.

1847 One of the major purposes of patent reform was to have  
1848 a process that allowed our concern about bad patents having  
1849 been issued to be reexamined and to avoid all the costs of  
1850 litigation. The current language on the threshold is too  
1851 restrictive in terms of allowing those patents to be

1852 revisited, and I would suggest that -- it is bad enough when  
1853 we don't do enough reform, but in this case we are  
1854 restricting the reforms beyond even what existing law has.

1855         And so I would urge adoption of the Chu amendment. It  
1856 is a much more workable standard for achieving the goals  
1857 that we all have had in moving patent reform legislation,  
1858 which is to create an attractive administrative alternative  
1859 to the very expensive costs of court litigation of patents.  
1860 I believe in a system where you don't do the most to ensure  
1861 that the patents are good, you end up stifling innovation.  
1862 The gentlelady's amendment I think reflects that concept and  
1863 I urge its adoption.

1864         Chairman Smith. Thank you, Mr. Berman.

1865         Are there any others who wish to be heard on the  
1866 amendment?

1867         [No response.]

1868         Chairman Smith. If not, we will vote on the amendment  
1869 to the amendment. All in favor, say aye.

1870         [Chorus of ayes.]

1871         Chairman Smith. Opposed, say no.

1872         [Chorus of nays.]

1873         Chairman Smith. In the opinion of the chair, the noes

1874 have it, and the amendment is not agreed to.

1875 Ms. Chu. Mr. Chair, I ask for a recorded vote.

1876 Chairman Smith. The gentlewoman has asked for a  
1877 recorded vote, and the clerk will call the role.

1878 Ms. Kish. Mr. Smith?

1879 Chairman Smith. No.

1880 Ms. Kish. Mr. Smith votes no.

1881 Mr. Sensenbrenner?

1882 Mr. Sensenbrenner. No.

1883 Ms. Kish. Mr. Sensenbrenner votes no.

1884 Mr. Coble?

1885 [No response.]

1886 Ms. Kish. Mr. Gallegly?

1887 Mr. Gallegly. No.

1888 Ms. Kish. Mr. Gallegly votes no.

1889 Mr. Goodlatte?

1890 Mr. Goodlatte. No.

1891 Ms. Kish. Mr. Goodlatte votes no.

1892 Mr. Lungren?

1893 Mr. Lungren. No.

1894 Ms. Kish. Mr. Lungren votes no.

1895 Mr. Chabot?

1896 Mr. Chabot. No.

1897 Ms. Kish. Mr. Chabot votes no.

1898 Mr. Issa?

1899 [No response.]

1900 Ms. Kish. Mr. Pence?

1901 Mr. Pence. No.

1902 Ms. Kish. Mr. Pence votes no.

1903 Mr. Forbes?

1904 Mr. Forbes. No.

1905 Ms. Kish. Mr. Forbes votes no.

1906 Mr. King?

1907 Mr. King. No.

1908 Ms. Kish. Mr. King votes no.

1909 Mr. Franks?

1910 Mr. Franks. No.

1911 Ms. Kish. Mr. Franks votes no.

1912 Mr. Gohmert?

1913 [No response.]

1914 Ms. Kish. Mr. Jordan?

1915 [No response.]

1916 Ms. Kish. Mr. Poe?

1917 [No response.]

1918 Ms. Kish. Mr. Chaffetz?  
1919 Mr. Chaffetz. No.  
1920 Ms. Kish. Mr. Chaffetz votes no.  
1921 Mr. Griffin?  
1922 [No response.]  
1923 Ms. Kish. Mr. Marino?  
1924 Mr. Marino. No.  
1925 Ms. Kish. Mr. Marino votes no.  
1926 Mr. Gowdy?  
1927 Mr. Gowdy. No.  
1928 Ms. Kish. Mr. Gowdy votes no.  
1929 Mr. Ross?  
1930 Mr. Ross. No.  
1931 Ms. Kish. Mr. Ross votes no.  
1932 Ms. Adams?  
1933 Ms. Adams. No.  
1934 Ms. Kish. Ms. Adams votes no.  
1935 Mr. Quayle?  
1936 Mr. Quayle. No.  
1937 Ms. Kish. Mr. Quayle votes no.  
1938 Mr. Conyers?  
1939 Mr. Conyers. Aye.

1940 Ms. Kish. Mr. Conyers votes aye.  
1941 Mr. Berman?  
1942 Mr. Berman. Aye.  
1943 Ms. Kish. Mr. Berman votes aye.  
1944 Mr. Nadler?  
1945 Mr. Nadler. Aye.  
1946 Ms. Kish. Mr. Nadler votes aye.  
1947 Mr. Scott?  
1948 [No response.]  
1949 Ms. Kish. Mr. Watt?  
1950 Mr. Watt. Aye.  
1951 Ms. Kish. Mr. Watt votes aye.  
1952 Ms. Lofgren?  
1953 Ms. Lofgren. Aye.  
1954 Ms. Kish. Ms. Lofgren votes aye.  
1955 Ms. Jackson Lee?  
1956 [No response.]  
1957 Ms. Kish. Ms. Waters?  
1958 Ms. Waters. Aye.  
1959 Ms. Kish. Ms. Waters votes aye.  
1960 Mr. Cohen?  
1961 [No response.]

1962 Ms. Kish. Mr. Johnson?

1963 Mr. Johnson. No.

1964 Ms. Kish. Mr. Johnson votes no.

1965 Mr. Pierluisi?

1966 Mr. Pierluisi. No.

1967 Ms. Kish. Mr. Pierluisi votes no.

1968 Mr. Quigley?

1969 [No response.]

1970 Ms. Kish. Ms. Chu?

1971 Ms. Chu. Aye.

1972 Ms. Kish. Ms. Chu votes aye.

1973 Mr. Deutch?

1974 Mr. Deutch. No.

1975 Ms. Kish. Mr. Deutch votes no.

1976 Ms. Sanchez?

1977 [No response.]

1978 Ms. Kish. Ms. Wasserman Schultz?

1979 [No response.]

1980 Chairman Smith. The gentleman from North Carolina?

1981 Mr. Coble. No.

1982 Ms. Kish. Mr. Coble votes no.

1983 Chairman Smith. Are there other members who wish to

1984 cast a vote? The gentleman from California, Mr. Issa?

1985 Mr. Issa. No.

1986 Ms. Kish. Mr. Issa votes no.

1987 Chairman Smith. The clerk will report.

1988 Ms. Kish. Mr. Chairman, 7 members voted aye; 21

1989 members voted nay.

1990 Chairman Smith. The majority having voted against the

1991 amendment, it is not approved.

1992 And we will now go on to the next amendment. This is

1993 an amendment we expect to be offered by someone who, I am

1994 sure, is on their way to the room as we speak.

1995 Meanwhile, we will recognize the gentlewoman from

1996 California for her amendment.

1997 Ms. Lofgren. Thank you, Mr. Chairman. I have an

1998 amendment at the desk, Lofgren 21.

1999 Chairman Smith. The clerk will report the amendment.

2000 Ms. Kish. "Amendment to the amendment offered by Mr.

2001 Smith to H.R. 1249 offered by Ms. Zoe Lofgren of California.

2002 On page 2 of the amendment, strike all the amendments to

2003 page 4 of the bill."

2004 Ms. Lofgren. Mr. Chairman, I would ask unanimous

2005 consent that the amendment be considered as read.

2006 Chairman Smith. Without objection, the amendment will  
2007 be considered as read.

2008 [The information follows:]

2009

2010 Chairman Smith. And the gentlewoman is recognized to  
2011 explain her amendment.

2012 Ms. Lofgren. Mr. Chairman, thank you very much.

2013 As you know, I had requested a revision of section  
2014 2(b) of H.R. 1249. The request was that the language in  
2015 section 102(b) of title 35, as amended by the bill,  
2016 explicitly reflects the intent put forward in a colloquy by  
2017 Senators Leahy and Hatch on March 9th, which Mr. Goodlatte  
2018 has put into the record.

2019 In that colloquy, the Senators discussed the scope of  
2020 the grace period in the bill. Senator Leahy expressed his  
2021 intent that, quote, if an inventor's actions are such as to  
2022 constitute prior art under subsection 102(a), then those  
2023 actions necessarily trigger subsection 102(b)'s protections  
2024 for the inventor, and what would have been section 102(a) as  
2025 prior art would be excluded as prior art by the grace period  
2026 provided by section 102(b).

2027 I think everybody agrees that that was the intent of  
2028 the provision, but that it was not necessarily explicitly  
2029 reflected in the language of the bill. I was contacted by  
2030 some constituents, small inventors, who were concerned that  
2031 the bill could be read to exclude certain types or prior art

2032 from the scope of the grace period. And it seemed to me  
2033 that since we all knew what we were doing that we ought to  
2034 say so in the bill and not be ambiguous.

2035 I appreciate the chairman's attempt to accommodate the  
2036 goal of being unambiguous. However, the related change in  
2037 the manager's amendment goes beyond revising the grace  
2038 period and also amends the definition of prior art in  
2039 subsection 102(a).

2040 I have now heard strenuous concerns about the broader  
2041 change from a wide range of stakeholders. In particular,  
2042 they are concerned about the deletion of specific categories  
2043 of prior art with well established meanings in case law and  
2044 replacing those terms with a more ambiguous term otherwise  
2045 disclosed to the public.

2046 Now, I understand that the chairman may be prepared to  
2047 accept this amendment, and I would welcome that without  
2048 further debate. I am not offering an amendment to replace  
2049 the section today because as we struggled to write  
2050 something, it became clear in discussion with leg counsel  
2051 that this is too complicated to draft in this time frame.  
2052 But I would look forward to working with the chairman if  
2053 this amendment is accepted or approved to accomplish that

2054 goal between now and the floor.

2055 And I would yield to the chairman.

2056 Chairman Smith. Thank you, Ms. Lofgren.

2057 Let me say to her that she has been creative and  
2058 persistent in her approach. I support the amendment and I  
2059 encourage my colleagues to support it as well.

2060 Are there any other members who wish to be recognized  
2061 on this amendment?

2062 [No response.]

2063 Chairman Smith. If not, we will vote on the  
2064 amendment. All in favor, say aye.

2065 [Chorus of ayes.]

2066 Chairman Smith. All opposed, nay.

2067 [No response.]

2068 Chairman Smith. The ayes have it, and the amendment  
2069 to the amendment is agreed to.

2070 We are now going to see if we have one more amendment.

2071 Are there any other amendments on the manager's amendment?

2072 [No response.]

2073 Chairman Smith. If not, the question is on the  
2074 manager's amendment. Those in favor, say aye.

2075 [Chorus of ayes.]

2076 Chairman Smith. Opposed, no.

2077 [Chorus of nays.]

2078 Chairman Smith. In the opinion of the chair, the ayes  
2079 have it, and the amendment is agreed to.

2080 Mr. Sensenbrenner. Mr. Chairman, a recorded vote  
2081 please.

2082 Chairman Smith. A recorded vote has been requested,  
2083 and the clerk will call the role.

2084 Ms. Kish. Mr. Smith?

2085 Chairman Smith. Aye.

2086 Ms. Kish. Mr. Smith votes aye.

2087 Mr. Sensenbrenner?

2088 Mr. Sensenbrenner. No.

2089 Ms. Kish. Mr. Sensenbrenner votes no.

2090 Mr. Coble?

2091 Mr. Coble. Aye.

2092 Ms. Kish. Mr. Coble votes aye.

2093 Mr. Gallegly?

2094 Mr. Gallegly. Aye.

2095 Ms. Kish. Mr. Gallegly votes aye.

2096 Mr. Goodlatte?

2097 Mr. Goodlatte. Aye.

2098 Ms. Kish. Mr. Goodlatte votes aye.  
2099 Mr. Lungren?  
2100 Mr. Lungren. Aye.  
2101 Ms. Kish. Mr. Lungren votes aye.  
2102 Mr. Chabot?  
2103 [No response.]  
2104 Mr. Chabot. Mr. Issa?  
2105 [No response.]  
2106 Ms. Kish. Mr. Pence?  
2107 Mr. Pence. Aye.  
2108 Ms. Kish. Mr. Pence votes aye.  
2109 Mr. Forbes?  
2110 Mr. Forbes. Aye.  
2111 Ms. Kish. Mr. Forbes votes aye.  
2112 Mr. King?  
2113 Mr. King. Aye.  
2114 Ms. Kish. Mr. King votes aye.  
2115 Mr. Franks?  
2116 Mr. Franks. Aye.  
2117 Ms. Kish. Mr. Franks votes aye.  
2118 Mr. Gohmert?  
2119 [No response.]

2120 Ms. Kish. Mr. Jordan?  
2121 [No response.]  
2122 Ms. Kish. Mr. Poe?  
2123 Mr. Poe. Aye.  
2124 Ms. Kish. Mr. Poe votes aye.  
2125 Mr. Chaffetz?  
2126 Mr. Chaffetz. Aye.  
2127 Ms. Kish. Mr. Chaffetz votes aye.  
2128 Mr. Reed?  
2129 [No response.]  
2130 Ms. Kish. Mr. Griffin?  
2131 [No response.]  
2132 Ms. Kish. Mr. Marino?  
2133 Mr. Marino. Aye.  
2134 Ms. Kish. Mr. Marino votes aye.  
2135 Mr. Gowdy?  
2136 Mr. Gowdy. Aye.  
2137 Ms. Kish. Mr. Gowdy votes aye.  
2138 Mr. Ross?  
2139 Mr. Ross. Aye.  
2140 Ms. Kish. Mr. Ross votes aye.  
2141 Ms. Adams?

2142 Ms. Adams. Aye.

2143 Ms. Kish. Ms. Adams votes aye.

2144 Mr. Quayle?

2145 Mr. Quayle. Aye.

2146 Ms. Kish. Mr. Quayle votes aye.

2147 Mr. Conyers?

2148 Mr. Conyers. No.

2149 Ms. Kish. Mr. Conyers votes no.

2150 Mr. Berman?

2151 Mr. Berman. Aye.

2152 Ms. Kish. Mr. Berman votes aye.

2153 Mr. Nadler?

2154 Mr. Nadler. Aye.

2155 Ms. Kish. Mr. Nadler votes aye.

2156 Mr. Scott?

2157 [No response.]

2158 Ms. Kish. Mr. Watt?

2159 Mr. Watt. Aye.

2160 Ms. Kish. Mr. Watt votes aye.

2161 Ms. Lofgren?

2162 Ms. Lofgren. Aye.

2163 Ms. Kish. Ms. Lofgren votes aye.

2164 Ms. Jackson Lee?  
2165 [No response.]  
2166 Ms. Kish. Ms. Waters?  
2167 [No response.]  
2168 Ms. Kish. Mr. Cohen?  
2169 Mr. Cohen. Aye.  
2170 Ms. Kish. Mr. Cohen votes aye.  
2171 Mr. Johnson?  
2172 Mr. Johnson. Aye.  
2173 Ms. Kish. Mr. Johnson votes aye.  
2174 Mr. Pierluisi?  
2175 Mr. Pierluisi. Aye.  
2176 Ms. Kish. Mr. Pierluisi votes no.  
2177 Mr. Quigley?  
2178 Mr. Quigley. Aye.  
2179 Ms. Kish. Mr. Quigley votes aye.  
2180 Ms. Chu?  
2181 Ms. Chu. Aye.  
2182 Ms. Kish. Ms. Chu votes aye.  
2183 Mr. Deutch?  
2184 Mr. Deutch. Aye.  
2185 Ms. Kish. Mr. Deutch votes aye.

2186 Ms. Sanchez?

2187 Ms. Sanchez. Aye.

2188 Ms. Kish. Ms. Sanchez votes aye.

2189 Ms. Wasserman Schultz?

2190 [No response.]

2191 Chairman Smith. Are there any other members who wish  
2192 to vote? And the gentleman from Ohio, Mr. Chabot, is  
2193 recognized.

2194 Mr. Chabot. Aye.

2195 Ms. Kish. Mr. Chabot votes aye.

2196 Chairman Smith. The gentlewoman from California, Ms.  
2197 Waters, is recognized.

2198 Ms. Waters. Aye.

2199 Ms. Kish. Ms. Waters votes aye.

2200 Chairman Smith. The clerk will report.

2201 Ms. Kish. Mr. Chairman, 29 members voted aye; 2  
2202 members voted nay.

2203 Chairman Smith. The majority having voted in favor of  
2204 the manager's amendment, it is agreed to.

2205 We will now go to amendments to the underlying bill.

2206 The gentleman from Michigan, the ranking member of the  
2207 committee, is recognized for purposes of offering an

2208 amendment.

2209 Mr. Conyers. Thank you, Mr. Chairman. I have an  
2210 amendment at the desk. I ask that it be reported.

2211 Chairman Smith. The clerk will report the amendment.

2212 Ms. Kish. "Amendment to H.R. 1249 offered by Mr.  
2213 Conyers. At the end of the bill, add the following."

2214 Chairman Smith. Without objection, the amendment is  
2215 considered as read.

2216 [The information follows:]

2217

2218 Chairman Smith. And the gentleman is recognized for  
2219 purposes of explaining his amendment.

2220 Mr. Conyers. Members of the committee, this amends  
2221 section 18, the transitional program for a covered business  
2222 method patent, which is an attempt on my part to amend the  
2223 business method post-grant review provision in the bill by  
2224 limiting the application to patents that have not already  
2225 undergone prior reexamination.

2226 The policy urged by those seeking passage of section  
2227 18 is that the provision would weed out invalid business  
2228 method patents. However, if a patent has already been  
2229 issued by the Patent Office and then reexamined again by the  
2230 Patent Office and its claims have survived that  
2231 reexamination, those claims are not the type of invalid  
2232 patent claims section 18 seeks to weed out. Thus, the  
2233 amendment exempts from the scope of section 18 those patent  
2234 claims that have already been validated in a reexamination  
2235 by the Patent Office.

2236 My amendment further allows section 18 to be enacted  
2237 in full to weed out invalid patents, but a court's deference  
2238 to the Patent Office for those circumstances where it has  
2239 already reexamined a patent and found it to have valid

2240 claims.

2241           This amendment also tempers the retroactive  
2242 application of section 18. Under my proposal, 18 would not  
2243 unfairly burden those patent holders who already had their  
2244 patents reexamined by the office and reissued as valid as of  
2245 the date of enactment. There are numerous patent holders  
2246 that are subject to section 18 whose patents have completed  
2247 a reexamination at the office and had the claims upheld as  
2248 valid.

2249           However, in striking a balance, the amendment would  
2250 also not eviscerate the thrust of section 18 which is, of  
2251 course, to weed out invalid patents because the vast  
2252 majority of these patents subject to section 18 have not  
2253 completed a reexamination at the office and thus would not  
2254 be subject to the scope of this amendment.

2255           Representatives from the influential nonfinancial  
2256 services entities like Procter & Gamble have publicly stated  
2257 that it would be bad policy to provide second and third  
2258 bites at the apple to infringers of valid patents, meaning  
2259 patent claims that have already been validated by the Patent  
2260 Office should not be subjected to another review of validity  
2261 at the Patent Office. And so the amendment recognizes the

2262 policy and corrects the broad scope of section 18 that  
2263 allows it.

2264           Moreover, this provision saves taxpayer money because  
2265 it eliminates duplicated efforts at the Patent Office.  
2266 Every time the office has to review a patent, a lot of money  
2267 is spent. There is no policy justification for the office  
2268 to continue reexamining patents that it has already  
2269 reexamined.

2270           And so I hope that this provision will be favorably  
2271 approved by the Committee on the Judiciary, and I return the  
2272 balance of my time.

2273           Chairman Smith. Thank you, Mr. Conyers.

2274           I will recognize myself in opposition.

2275           This project was initiated 6 years ago primarily  
2276 because we received complaints from manufacturing companies  
2277 that were being sued by patent trolls armed with business  
2278 method patents of questionable integrity.

2279           The business method patent provisions in the bill  
2280 allow the PTO to do what it was incapable doing back in the  
2281 late 1990's and early 2000's: review business method  
2282 patents against the best available prior art. Good patents  
2283 will withstand the scrutiny, but the weaker ones deserve to

2284 be eliminated. This is a pro-manufacturing, pro-jobs  
2285 section of the bill that should not be removed.

2286 Are there any other members who wish to be recognized  
2287 on this bill? The gentlewoman from California, Ms. Sanchez?

2288 Ms. Sanchez. Thank you, Mr. Chairman.

2289 I just want to associate myself with the remarks of my  
2290 colleague, Mr. Conyers. The Patent Office reviews these  
2291 patents before they are granted, and I do agree that it  
2292 seems somewhat burdensome to have them continue to reexam  
2293 patents that have already been granted and in some cases  
2294 litigated extensively. So I would just like to associate  
2295 myself with his remarks.

2296 And I will yield back the balance of my time.

2297 Chairman Smith. Thank you, Ms. Sanchez.

2298 Are there others who wish to be recognized? The  
2299 gentleman from California, Mr. Berman?

2300 Mr. Berman. I would move to strike the last word.

2301 Chairman Smith. The gentleman is recognized for 5  
2302 minutes.

2303 Mr. Berman. I guess my first comment is a question to  
2304 the chair and counsel to the committee. As I understand it,  
2305 the provision which the ranking member seeks to amend is a

2306 provision that simply applies to business method patents  
2307 with a little extension to cover some specific patents in  
2308 mind because it talks about business methods and associated  
2309 apparatus. But what it is it creates a separate review  
2310 process for business method patents which, in one sense, I  
2311 understand because some of the poorest patents issued were  
2312 business method patents.

2313         But there are two problems I have with the existing  
2314 language in the bill. One is the way the definition of  
2315 business methods is drafted to include some patents that  
2316 might not be viewed as strictly business method patents, but  
2317 secondly, we are applying a different standard. I once was  
2318 sort of imbued with the notion of trying to just reform  
2319 business method patents, and I was told you don't do that in  
2320 the patent law. You treat every kind of patent the same  
2321 way. And we have provisions in our legislation on damages.

2322         And to the chairman, I say wouldn't we have loved a  
2323 solution in 2007 which said -- some of these high technology  
2324 products have hundreds and hundreds and even thousands of  
2325 patents. Some of these pharmacological products have two  
2326 patents. Let us have one standard of damages for the  
2327 technology products and another standard for the

2328 pharmacology products. But all the patent lawyers and the  
2329 whole patent bar and all the companies said you don't do  
2330 that.

2331 All of a sudden, at the last minute in the Senate,  
2332 that fundamental principle of patent law was ignored, and we  
2333 put in some special procedure if you come within the  
2334 definition of business patents.

2335 We didn't go down that road to try and rectify some of  
2336 the inequity in the damages issues. We rejected the  
2337 temptation to solve our political concern with one side  
2338 pushing us one way and people on the other side pushing  
2339 another way by trying to work through some language. In the  
2340 end, the Senate decided rather than deal with that fight, we  
2341 will just drop the damages language. But here, all of a  
2342 sudden, on this particular issue, we come back and are told  
2343 it is a different procedure.

2344 My preference would be a robust inter partes reexam  
2345 procedure. Ms. Lofgren had an amendment to create that.  
2346 Ms. Chu had an amendment to create that, a more robust inter  
2347 partes reexam to avoid the litigation.

2348 But the question I have, Mr. Chairman, is under the  
2349 existing business method patent provision, which we have

2350 kept in the House bill, as I understand it, unchanged from  
2351 what the Senate adopted, a case that has gone to district  
2352 court and been litigated there against certain parties and  
2353 against parties who sought inter partes reexam in the past  
2354 -- they would be allowed now, notwithstanding a district  
2355 court judgment against them and in favor of the patent  
2356 holder, to come in under this new procedure and forget the  
2357 case they lost, forget the licensing agreement they signed  
2358 because they lost the case, and they would be able to re-  
2359 litigate it. That isn't fair.

2360 Now, I have a bit of a problem with my friend's  
2361 amendment because it covers other parties as well, but I am  
2362 betwixt and between here, and on that choice, I don't think  
2363 it is fair to subject parties that hold patents that have  
2364 Federal district court judgments in their favor against  
2365 certain parties to allow those parties to come back in. So  
2366 without any willingness to change that business method  
2367 patent provision, I am inclined to support the gentleman's  
2368 amendment even though it goes a little further than I want.

2369 Mr. Conyers. Will the gentleman yield?

2370 Mr. Berman. I would be happy to yield to the ranking  
2371 member.

2372 Mr. Conyers. I just want to thank the gentleman from  
2373 the bottom of my heart for his tepid support of my  
2374 amendment.

2375 [Laughter.]

2376 Mr. Lungren. Will the gentleman from California  
2377 yield?

2378 Mr. Berman. Yes.

2379 Mr. Lungren. I would like to associate myself with  
2380 the gentleman's remarks.

2381 Mr. Berman. Tepid though they be.

2382 Mr. Lungren. Well, I would even be a little stronger.  
2383 I am concerned about the accuracy of the definition of  
2384 business method patents in this section.

2385 And also, I just have to ask the question, at what  
2386 point in time does the property right and the  
2387 constitutionality of property rights come into effect?  
2388 After you have had reexamination and then a district court  
2389 decision? Is that when your property right vests? Or do we  
2390 say, if we disagree with it, we are going to pass subsequent  
2391 legislation that allows it to be -- I realize I am not an  
2392 expert on patent law, but it seems to offend my sense of  
2393 fair play and the idea of if you go to court and you get a

2394 decision, Congress ought not to be able to undo that  
2395 decision.

2396 And I thank the gentleman.

2397 Ms. Lofgren. Would the gentleman yield?

2398 Chairman Smith. The gentleman's time has expired.

2399 Ms. Lofgren. I would ask unanimous consent that he be  
2400 granted an additional minute.

2401 Chairman Smith. I am going to oppose that unanimous  
2402 consent request at this point. We only have 6 minutes left  
2403 to vote, and what we are going to do is continue debate on  
2404 this amendment after we stand in recess for this series of  
2405 three votes. We will resume our markup after these votes  
2406 and then continue on this amendment.

2407 Mr. Conyers. Mr. Chairman, might we eat lunch  
2408 somewhere during the day?

2409 [Laughter.]

2410 Chairman Smith. At the request of the ranking member,  
2411 we will resume our markup at 1:45 and look forward to seeing  
2412 all the members return then.

2413 Mr. Conyers. I thank the chair.

2414 [Whereupon, at 12:45 p.m., the committee recessed, to  
2415 reconvene at 1:45 p.m., the same day.]

2416 Chairman Smith. [Presiding] The Judiciary Committee  
2417 will resume our markup.

2418 When we left, we were debating the Conyers amendment,  
2419 and we will return to the Conyers amendment. Are there any  
2420 other members who wish to speak on it?

2421 The gentlewoman from California, Ms. Lofgren?

2422 Ms. Lofgren. I move to strike the last word.

2423 Chairman Smith. The gentlewoman is recognized for  
2424 five minutes?

2425 Ms. Lofgren. As Mr. Berman mentioned just before our  
2426 break for votes, the provision in the underlying bill, I  
2427 think is just not good practice. I mean, we have not had a  
2428 history of delineating separate laws for different kinds of  
2429 patents. And I think it is a big mistake to go down that  
2430 road.

2431 Now, I had expected that there would be an amendment  
2432 just to strike the provision rather than the amendment that  
2433 has been offered, because although the amendment that has  
2434 been offered does improve the underlying bill, it does not  
2435 completely cure the phenomena of delineating separate patent  
2436 rules for different kinds of patents that, you know, in the  
2437 past we have been told this violates TRIPS. And if it does,

2438 we are ending up with a trade problem down the road.

2439           So, I guess I need to support the amendment because it  
2440 does move forward in the right direction, and I do not see  
2441 anything on the list of a motion to strike the provision,  
2442 although I am hopeful that maybe that will be offered as the  
2443 proceedings begin. But as Mr. Berman indicated, I think the  
2444 underlying bill is quite troubling, and I really think we  
2445 ought to simply delete it.

2446           And I yield back the balance of my time.

2447           Mr. Conyers. Mr. Chairman?

2448           Chairman Smith. Thank you, Ms. Lofgren.

2449           The gentleman from Michigan, Mr. Conyers?

2450           Mr. Conyers. Chairman Smith and members, I ask  
2451 unanimous consent to withdraw my amendment without prejudice  
2452 because I think that there is a spirit of cooperation that  
2453 may be able to prevail that can tweak this amendment so that  
2454 it will meet the approval of the majority members of the  
2455 committee.

2456           Chairman Smith. I thank the gentleman for his --

2457           Ms. Water. Will the gentleman yield?

2458           Chairman Smith. -- comments, and without objection  
2459 the motion is withdrawn.

2460           We will now go to the next amendment, and that is the  
2461 Goodlatte amendment. The gentleman from Virginia is  
2462 recognized.

2463           Mr. Goodlatte. Thank you, Mr. Chairman. I have an  
2464 amendment at the desk, Goodlatte amendment number 2.

2465           Chairman Smith. The clerk will report the amendment.

2466           Ms. Kish. "Amendment to H.R. 1249, offered by Mr.  
2467 Smith of Texas and Mr. Goodlatte of Virginia, page 46" --

2468           Mr. Goodlatte. Mr. Chairman, I ask unanimous consent  
2469 the amendment is read.

2470           Chairman Smith. Without objection, the amendment is  
2471 considered read.

2472           [The information follows:]

2473

2474 Chairman Smith. The gentleman is recognized in  
2475 support of his amendment?

2476 Mr. Goodlatte. Thank you, Mr. Chairman.

2477 As introduced, the bill includes different language on  
2478 the treatment of settlement documents during the first to  
2479 file inter parte's reexamination and post-grant review  
2480 sections.

2481 In the case of the first to file language, settlements  
2482 are protected as business confidential information.  
2483 However, in the inter parte's reexamination and post-grant  
2484 review section, parties to a settlement are required to  
2485 reduce to writing all the terms of the agreement to be  
2486 filed, along with any collateral agreements with the Patent  
2487 and Trademark Office.

2488 As it stands, the language in the inter parte's  
2489 reexamination and post-grant review section would  
2490 effectively require companies to turn over and make public  
2491 their business proprietary and confidential information. In  
2492 other words, they are required to turn over their keys to  
2493 the competitive kingdom while they settle an inter parte's  
2494 reexamination or post-grant review. The practical effect of  
2495 this provision would be that companies will no longer

2496 settle, not wanting to risk having to make public  
2497 confidential information.

2498         The much more disturbing policy effect is that this  
2499 would set an international precedent whereby other countries  
2500 could demand the public disclosure of business confidential  
2501 information to benefit their own domestic businesses.

2502         Our amendment tracks the settlement language in the  
2503 first to file section, which was meticulously negotiated and  
2504 provides for the protection of information to the inter  
2505 parte's reexamination and post-grant review sections. This  
2506 not only protects the business confidential and proprietary  
2507 information of our most valued companies, but also ensures  
2508 consistency in language and application throughout the  
2509 patent system.

2510         This amendment also makes an additional enhancement to  
2511 the underlying bill. As introduced, the bill provides for  
2512 the amendment of a patent brought into inter parte's  
2513 reexamination or post-grant review, but it does not provide  
2514 how that amendment or new claim is to be treated by the  
2515 courts. This is truly a technical matter and necessary to  
2516 prevent ambiguity in the system. The language would simply  
2517 clarify that such amendments or new claims are to be treated

2518 by the courts as they are treated under the current system,  
2519 as reissued patents.

2520 I urge my colleagues to support this amendment.

2521 Chairman Smith. Thank you, Mr. Goodlatte. I support  
2522 the amendment for the reasons that you have given.

2523 Are there any other members who wish to speak on this  
2524 amendment?

2525 If not, we will vote on the amendment.

2526 All in favor, say aye?

2527 [Chorus of ayes.]

2528 Chairman Smith. All opposed, nay?

2529 [No response.]

2530 Chairman Smith. The ayes have it. The amendment is  
2531 agreed to.

2532 Are there other amendments? The gentleman from  
2533 Michigan is recognized?

2534 Mr. Conyers. Mr. Speaker -- Chairman, I have an  
2535 amendment at the desk and ask that it --

2536 Chairman Smith. The clerk will report the amendment?

2537 Ms. Kish. "Amendment to H.R. 1249, offered by Ms. Chu  
2538 and Mr. Conyers of Michigan, page 107, line 14." --

2539 Chairman Smith. Without objection, the amendment will

2540 be considered as read.

2541 [The information follows:]

2542

2543 Chairman Smith. The gentleman is recognized to  
2544 explain his amendment?

2545 Mr. Conyers. Mr. Chairman, this seems to be a pattern  
2546 that I am entering into here. After consultation with the  
2547 gentlelady from California, we have both determined to  
2548 withdraw this amendment without prejudice because there are  
2549 discussions going on that may ensure it being more  
2550 successful. And so, with her consent, I ask permission to  
2551 withdraw the amendment.

2552 Chairman Smith. Thank you, Mr. Conyers.

2553 I must oppose this amendment to the false marking  
2554 provisions. By limiting the provision to only prospective,  
2555 rather than retrospective cases, we are creating a gaping  
2556 loophole in the provision. These false marking cases  
2557 represent in most cases frivolous litigation. These cases  
2558 are brought by folks who suffered no actual harm, but are  
2559 simply taking advantages of the penalties that were recently  
2560 expanded in a court decision to provide remedies of up to  
2561 \$500 per article.

2562 This amendment defeats the underlying purpose of the  
2563 provision, and so I must oppose it.

2564 Are there other --

2565           Mr. Conyers. I ask unanimous consent to withdraw it.  
2566 I was going to comment on your impropriety as soon as you  
2567 finish.

2568           [Laughter.]

2569           Chairman Smith. Let me apologize to the gentleman  
2570 from Michigan. I did not hear him say he withdrew it, but I  
2571 happily will agree with that, and thank you for doing so.  
2572 Although I believe the gentleman has another amendment  
2573 coming up almost immediately here, and he is recognized for  
2574 that purpose?

2575           Mr. Conyers. I have a good excuse for withdrawing --  
2576 I ask the clerk to report the amendment.

2577           Chairman Smith. The clerk will report the amendment?

2578           Ms. Kish. "Amendment to H.R. 1249, offered by Mr.  
2579 Conyers and Mr. Sensenbrenner of Michigan. Strike  
2580 everything in the bill other than Sections 9, 10, and 22,  
2581 and make technical and conforming changes as necessary."

2582           Chairman Smith. Is that the correct one? Okay.

2583           [The information follows:]

2584

2585 Mr. Quigley. Mr. Chairman, I have a procedural  
2586 question.

2587 Chairman Smith. The gentleman from Illinois is  
2588 recognized?

2589 Mr. Quigley. We would like to make sure which of the  
2590 Conyers amendments this is. Was it number 5?

2591 Chairman Smith. This is the Conyers amendment number  
2592 34.

2593 Mr. Quigley. So that is number 7 if you are keeping  
2594 track at home.

2595 Chairman Smith. Okay. You are correct.

2596 Mr. Quigley. Thank you.

2597 Chairman Smith. On the roster sheet it is number 7.  
2598 And the gentleman is recognized to explain his amendment?

2599 Mr. Conyers. I would like to get it distributed as  
2600 soon as we can.

2601 Mr. Chairman and members, this is another amendment of  
2602 mine that is undergoing discussion with the gentleman from  
2603 California. I have a startling bit of news to report. I am  
2604 not going to withdraw this amendment.

2605 [Laughter.]

2606 Mr. Conyers. And I would like to go forward with just

2607 a brief explanation of clarifying the term "business day"  
2608 and "patent extension."

2609 This amendment would remove what amounts to a trap and  
2610 would clarify the term "business day" in the patent  
2611 extension provision.

2612 In the Hatch-Waxman Act, there is provided for the  
2613 extension of the term of patents covering drugs that must be  
2614 approved by the FDA before they can be marketed. The  
2615 extension is designed to compensate innovators for the  
2616 ineffective patent term loss awaiting approval by the FDA,  
2617 which unfortunately can take years.

2618 And so, our attempt here is to make the congressional  
2619 effort at patent reform be more clear, more efficient. And  
2620 in a small way, this amendment would do just that by  
2621 clarifying that phrase, quote, "beginning on the date." It  
2622 has the same meaning throughout the statute and for all  
2623 applicants.

2624 I urge support of the amendment and return the balance  
2625 of my time.

2626 Chairman Smith. Thank you, Mr. Conyers.

2627 I will recognize myself in support of the amendment.

2628 Now, the gentleman's amendment clarifies the counting

2629 rules that are imposed on patent holders who must submit  
2630 documents to the agency within statutory time limits.

2631 It has been established that the PTO has  
2632 inconsistently applied these rules, which is not fair to  
2633 various patent holders. The gentleman's amendment tracks  
2634 the recent court case decided in favor of a patent holder  
2635 that originally applied for an extension 10 years ago.

2636 My understanding is that there are not scoring  
2637 problems with this provision, and I support it.

2638 Are there any other members who wish to speak on the  
2639 amendment?

2640 If not, all in favor of the amendment, say aye.

2641 [Chorus of ayes.]

2642 Chairman Smith. Opposed, no?

2643 [No response.]

2644 Chairman Smith. The majority having voted in favor of  
2645 the amendment, the amendment is agreed to.

2646 And we now will go to the next amendment to be offered  
2647 by the gentleman from Virginia, Mr. Goodlatte?

2648 Mr. Goodlatte. Thank you, Mr. Chairman. I have an  
2649 amendment at the desk, Goodlatte number 8.

2650 Chairman Smith. The clerk will report the amendment?

2651           Ms. Kish. "Amendment to H.R. 1249, offered by Mr.  
2652 Goodlatte of Virginia. Page 102 after line 2, insert the  
2653 following new subparagraph: Section" --

2654           Chairman Smith. Without objection, the amendment will  
2655 be considered as read.

2656           [The information follows:]

2657

2658 Chairman Smith. The gentleman is recognized to  
2659 explain his amendment?

2660 Mr. Goodlatte. Thank you, Mr. Chairman.

2661 The supplemental examination provision in the  
2662 underlying bill would allow a party to petition the PTO to  
2663 correct information in connection with a patent application.  
2664 It requires the PTO director to commence a reexamination  
2665 proceeding if new information surfaces that raises a  
2666 substantial new question of patentability.

2667 Once the proceeding is over, the patent owner is  
2668 insulated from any claims of misconduct later in the life of  
2669 the patent that address issues that were considered during  
2670 the supplemental exam proceeding. This proceeding is  
2671 designed for good faith actors who want to disclose new  
2672 information that affects the patent application.

2673 However, there are no safeguards built into this  
2674 supplemental examination proceeding to protect against fraud  
2675 or intentional misconduct. The very nature of this  
2676 supplemental exam proceeding invites patent owners with  
2677 problems in their patent applications or patents to cure  
2678 them through the supplemental exam.

2679 It is crucial in a proceeding like this for Congress

2680 to issue guidance that clearly instructs the PTO that the  
2681 process has been for good faith actors only, and that fraud  
2682 will not be tolerated.

2683         Current regulations at the PTO prohibit patent  
2684 applications that contain fraud from ever being granted. If  
2685 a patent cannot even be granted in the first place, when  
2686 fraud occurred with the application, then such a patent  
2687 should not be allowed into the special supplemental exam  
2688 process just because the fraud somehow was missed in the  
2689 original application.

2690         The patent process relies heavily on the good faith of  
2691 patent applicants who usually hold the most accurate  
2692 evidence surrounding their applications. We need to make  
2693 very clear that any new proceeding we set forth incentivizes  
2694 good faith submissions and punishes intentional misconduct  
2695 and fraud.

2696         The Goodlatte amendment is very simple. It requires  
2697 that the PTO deny a supplemental examination request and  
2698 terminate any pending supplemental examination when it  
2699 determines that a fraud on the PTO was practiced or  
2700 attempted in connection with a patent. It also requires the  
2701 PTO director, when he determines a fraud has occurred, to

2702 refer any such matters to the Attorney General for further  
2703 action.

2704 While the PTO does currently have regulations that  
2705 authorize sanctions when it determines fraud has occurred,  
2706 those authorities are specific to the proceedings they  
2707 regulate. For example, the PTO has specific rules for  
2708 dealing with fraud in the inter parte's reexamination  
2709 process. It has specific rules for dealing with fraud in  
2710 the ex parte exam process. And it has specific rules for  
2711 dealing with fraud in the application process.

2712 Because the supplemental examination proceeding is a  
2713 new one that is separate from those others, those  
2714 regulations do not cover the reexamination proceeding.  
2715 Furthermore, nothing in the text of the underlying bill  
2716 requires PTO to prevent fraud or address fraud in this  
2717 process. My amendment will make clear that Congress wants  
2718 to prohibit fraudulent applications and patents from  
2719 benefitting from a proceeding meant for good faith actors.

2720 I encourage my colleagues to support this amendment.

2721 Chairman Smith. Thank you, Mr. Goodlatte.

2722 Are there any members who wish to comment on this  
2723 amendment?

2724           The gentlewoman from Texas, Ms. Jackson Lee, is  
2725 recognized?

2726           Ms. Jackson Lee. I appreciate the gentleman's good  
2727 intention, and he said something that makes me think about  
2728 the actions that he suggests being referred to the PTO  
2729 office. Inasmuch as there are fraud provisions in other  
2730 aspects of patent law, that it could likewise be implemented  
2731 administratively.

2732           So, I have concerns with the gentleman's amendment,  
2733 primarily because I think that it takes away from the patent  
2734 qualitative approach that we already have, and would oppose  
2735 the gentleman's amendment.

2736           Mr. Johnson. Mr. Chairman, I would move to strike the  
2737 last word.

2738           Chairman Smith. Are there any members who wish to be  
2739 recognized on this side?

2740           Mr. Coble. Lou would strike the last word, Mr.  
2741 Chairman.

2742           Chairman Smith. Does the gentleman from Pennsylvania  
2743 seek to be recognized?

2744           Mr. Marino. No, sir.

2745           Chairman Smith. Okay. Who requested -- the gentleman

2746 from Georgia?

2747 Mr. Coble. I did, Mr. Chairman.

2748 Chairman Smith. Excuse me, Mr. Johnson. I am sorry.

2749 I cannot quite see beyond everybody as easily as I would

2750 like up here. I am sorry. The gentleman from North

2751 Carolina is recognized.

2752 Mr. Coble. I just have had several inquiries. Move

2753 to strike the last word, Mr. Chairman.

2754 Chairman Smith. The gentleman is recognized for five

2755 minutes?

2756 Mr. Coble. Mr. Goodlatte, I may ask you a question or

2757 two, if I may. I have had some concerns from down home.

2758 The supplemental exam is a new concept. That being

2759 said, Mr. Goodlatte, it seems that the amendment may be

2760 redundant and unnecessary. If the gentleman would respond

2761 to a question for me,

2762 Are fraudulent patents invalid?

2763 Mr. Goodlatte. A fraudulent patent would ordinarily

2764 be invalid, that is correct.

2765 Mr. Coble. Well, why do we need a supplemental

2766 review?

2767 Mr. Goodlatte. If, however, a patent goes through

2768 this process and it is later found that fraud was committed  
2769 as a part of this process, that would not be allowed. And  
2770 that is why there are specific rules covering fraud in those  
2771 other sections of the patent law.

2772 And to answer the point made by the gentlewoman from  
2773 Texas, this is a specific new procedure that is being  
2774 allowed in the law, and it needs congressional direction,  
2775 just like the other sections have, because otherwise there  
2776 is no guidance in this area on this fraud issue.

2777 Mr. Coble. Well, let me put another question to the  
2778 distinguished gentleman from Virginia. And I assume that  
2779 this answer is probably in the affirmative. Is there a  
2780 definition as to what constitutes fraud?

2781 Mr. Goodlatte. I am sorry, the gentleman --

2782 Mr. Coble. Is there a definition regarding what  
2783 constitutes fraud?

2784 Mr. Goodlatte. I believe the definition would be the  
2785 same definition that is used in the other sections.

2786 Mr. Coble. And one final question, if I may, Mr.  
2787 Goodlatte. Who would assert that a supplemental review  
2788 proceeding involved fraud, A, and, B, would that assertion  
2789 be made by a third party or by the patent examiner?

2790 Mr. Goodlatte. The assertion would be made by the  
2791 patent office. They could, of course, receive information  
2792 from other individuals that they believe fraud has occurred,  
2793 but the PTO would be the one that made the determination of  
2794 fraud.

2795 Mr. Coble. I thank the gentleman.

2796 Mr. Chairman, I have --

2797 Ms. Lofgren. Would the gentleman yield?

2798 Chairman Smith. Who else seeks recognition?

2799 Mr. Goodlatte. I think the gentleman from North

2800 Carolina has --

2801 Mr. Coble. I have the time.

2802 Ms. Lofgren. Would the gentleman yield?

2803 Mr. Coble. I will indeed.

2804 Ms. Lofgren. Thank you, Mr. Coble.

2805 I have concerns about this entire proceeding. I will  
2806 support Mr. Goodlatte's amendment, although I do not think  
2807 it solves the whole problem. And I have an amendment that I  
2808 am going to offer later that goes farther, and I will  
2809 reserve my criticisms of the procedure to the discussion of  
2810 that amendment. I yield back --

2811 Mr. Coble. I reclaim it. I commend the gentleman

2812 Roanoke. He does a good job. But I have some problems as  
2813 well, but then I yield back.

2814 Ms. Jackson Lee. Would the gentleman yield?

2815 Mr. Coble. I have already yielded back.

2816 Chairman Smith. The gentleman yields back. Who seeks  
2817 to be recognized? The gentleman from Georgia, Mr. Johnson?

2818 Mr. Johnson. Move to strike the last word, Mr.

2819 Chairman.

2820 Chairman Smith. The gentleman is recognized for five  
2821 minutes?

2822 Mr. Johnson. Mr. Chairman, I rise in opposition to  
2823 the Goodlatte amendment regarding supplemental examination.  
2824 I think that it should be opposed because this amendment is  
2825 unworkable in practice. It is unnecessary, and it does more  
2826 harm than good.

2827 Now, what is a supplemental examination? Section 11  
2828 of the American Invents Act, H.R. 1249, establishes a new  
2829 supplemental examination proceeding that allows patentees to  
2830 get a second look at their patents from the U.S. PTO in  
2831 light of any information that the patent owner believes to  
2832 be relevant. If the U.S. PTO finds that the information  
2833 raises a substantial new question of patentability, its

2834 expert examiners will formally reexamine the patent, which  
2835 could result in cancellation of claims, loss of patent, or  
2836 limitations on its scope.

2837         The Goodlatte amendment is unnecessary. All  
2838 stakeholders agree that supplemental examinations should not  
2839 benefit bad actors who defraud the U.S. PTO, but the  
2840 Goodlatte amendment is not necessary to protect the public  
2841 from wrongdoers who knowingly obtain invalid patents.

2842         The U.S. PTO already has authority to make referrals  
2843 to the Department of Justice for suspected false statements,  
2844 and the underlying bill provides it additional authority to  
2845 sanction those who practice before the U.S. PTO.

2846         But, most importantly, bad actors who knowingly obtain  
2847 invalid patents are not only unlikely to use supplemental  
2848 examination, they cannot get a benefit from the proceeding  
2849 to begin with. In order to use supplemental examination at  
2850 all, the wrongdoer would have to admit the invalidating  
2851 information that it worked so hard to conceal. Doing so  
2852 would only cause the cancellation of the patent, leaving the  
2853 bad actor with no patent and facing potential anti-trust, or  
2854 shareholder lawsuits, or criminal prosecution. Thus, the  
2855 real bad actors that the Goodlatte amendment tries to reach

2856 out or tries to reach would not be impacted by the amendment  
2857 at all.

2858           The Goodlatte amendment is also not practical. The  
2859 amendment provides that supplemental examination would be  
2860 denied or immediately terminated if a fraud was committed or  
2861 attempted. The problem is fraud can only be established  
2862 after the fact, so how would the U.S. PTO know when to deny  
2863 a supplemental examination request?

2864           The U.S. PTO's real expertise is in patent examination  
2865 and in determining whether a claim is patentable or not.  
2866 Instructing the U.S. PTO, as the amendment does, to be on  
2867 the lookout for fraud would accomplish little other than a  
2868 diversion of resources.

2869           And, lastly, the amendment does more harm than good.  
2870 Supplemental examination is designed to incentivize  
2871 patentees to bring new information to the U.S. PTO for a  
2872 second look. As patentees well understand, such information  
2873 could result in the cancellation of claims, loss of the  
2874 patent, or limitations on its scope.

2875           Under the Goodlatte amendment, patentees who already  
2876 put their patents at risk by voluntarily bringing new  
2877 information to the U.S. PTO must assume that the U.S. PTO

2878 could deny them reexamination and charge them with fraud  
2879 instead. Even a small possibility that this could happen  
2880 would prevent even innocent patentees from using  
2881 supplemental examination all together because a fraud charge  
2882 could have devastating implications in the form of  
2883 shareholder lawsuits and for unfair competition, litigation,  
2884 and other potential civil and criminal liability.  
2885 Meanwhile, any needed corrections to the patent would be  
2886 denied, and questions about the patent's validity would  
2887 remain unresolved.

2888         The proceeding's benefits accrue to the public and for  
2889 patentees. But these benefits would never materialize if  
2890 grantees are or patentees are not inclined to bring the  
2891 supplemental review.

2892         So, for that reason I would --

2893         Ms. Jackson Lee. Would the gentleman lead?

2894         Mr. Johnson. I will yield.

2895         Ms. Jackson Lee. The gentleman's argument is very  
2896 cogent. But also to Mr. Goodlatte, and I appreciate his  
2897 argument, the fraud definition is defined in the legislation  
2898 overall. The idea of the supplemental provision is to bring  
2899 more information to determine the quality of the invention

2900 and thereby, Mr. Goodlatte's amendment undermines the basic  
2901 premise of the language to bring quality issues to the  
2902 table. If there is fraud, the PTO has that jurisdiction in  
2903 my opinion. I would oppose the amendment.

2904 Chairman Smith. The gentleman's time has expired.  
2905 Who wishes to be recognized?

2906 Mr. Gallegly. Mr. Chairman.

2907 Chairman Smith. The gentleman from California, Mr.  
2908 Gallegly?

2909 Mr. Gallegly. Strike the last word.

2910 Chairman Smith. The gentleman is recognized for five  
2911 minutes?

2912 Mr. Gallegly. I would yield to the gentleman from  
2913 Virginia, Mr. Goodlatte.

2914 Mr. Goodlatte. I thank the gentleman for yielding. I  
2915 want to respond to some of these assertions that have been  
2916 made.

2917 First of all, with regard to the claim that this  
2918 process wouldn't work, it is the same definition of fraud  
2919 that you have in the application process itself. So, the  
2920 argument that you are not going to find out about it until  
2921 after the fact is not necessarily the case. And the reason

2922 is that many things are fraudulent on their face, and the  
2923 Patent Office rules against patents right now that are  
2924 fraudulent. So, if they find it fraudulent on its face  
2925 during this re-exam process, they would act on it  
2926 immediately. So, I think that is simply not a valid  
2927 argument.

2928         The argument that some claim made by the gentleman  
2929 from Georgia that my amendment would prohibit patent owners  
2930 from coming forward and bringing forth material evidence;  
2931 however, nothing in this amendment prohibits a good faith  
2932 patent owner from coming forward when he discovers a  
2933 material mistake has been made in the application. What the  
2934 amendment prevents is a PTO blessed cleansing of a  
2935 fraudulent patent. And what I fear, and many fear, is that  
2936 if this new process goes into effect without guidance about  
2937 fraud, what we are going to have are people gaming the  
2938 system. They are going to deliberately withhold damaging  
2939 material and then try to come into this reexamination  
2940 process and effectively cleanse the patent when that occurs.

2941         So, I believe that like in the other sections of  
2942 legislation related to patents, and like in the need to  
2943 prevent fraud in these other areas, there is a need to

2944 address it here. And I think this is a very fair way to go  
2945 about allowing this new process to take place, but not for  
2946 the purpose of cleansing fraud tainted patents.

2947 Mr. Johnson. Would the gentleman yield?

2948 Mr. Goodlatte. I will.

2949 Chairman Smith. The time belongs to the gentleman  
2950 from California.

2951 Mr. Gallegly. I would yield.

2952 Mr. Johnson. All right. Thank you.

2953 With respect to the question of patentability in the  
2954 case of fraud, the Patent Office is not really equipped to  
2955 determine whether or not any fraud has occurred. It would  
2956 have to rest on its initial determination of patentability.  
2957 And so, if we interpose a duty upon the Patent Office to  
2958 search for fraud, then it disincentivizes the public from  
2959 taking advantage of the supplemental review process, which  
2960 defeats the logic of having the supplemental examination  
2961 process as a part of this revision to the patent law.

2962 Mr. Goodlatte. Would the gentleman yield?

2963 Mr. Johnson. I will.

2964 Mr. Gallegly. I am reclaiming my time, Mr. Chairman.

2965 Chairman Smith. The gentleman from California has the

2966 time?

2967 Mr. Goodlatte. First of all, we have this process  
2968 already in place dealing with the other aspects of patents.  
2969 And the Patent Office applies that standard in the  
2970 examination of the patent in the first place. So, I cannot  
2971 see any reason why if somebody slips back in who has  
2972 committed fraud and is discovered as a part of that process,  
2973 you would not want to deny their ability to participate in  
2974 that aspect of the process if they are indeed engaged in  
2975 fraud as a part of that analysis.

2976 Mr. Johnson. If the gentleman would yield.

2977 Mr. Goodlatte. And let me just add, if I might, that  
2978 this is supported by the Patent Office, so they have  
2979 obviously got to know whether or not they can take action in  
2980 this area. They support this, as does the Coalition for  
2981 Patent Fairness.

2982 I urge my colleagues to support this amendment.

2983 I yield back the balance of my time.

2984 Mr. Johnson. And would the gentleman yield?

2985 Mr. Gallegly. I would yield the balance of my time.

2986 Chairman Smith. The gentleman yields back the balance  
2987 of his time.

2988           Anyone else want to be heard on this amendment? If  
2989 not, we will go --

2990           Mr. Issa. Mr. Chairman?

2991           Chairman Smith. Who seeks recognition?

2992           Mr. Issa. Mr. Chairman --

2993           Chairman Smith. The gentleman from California, Mr.  
2994 Issa?

2995           Mr. Issa. Thank you, Mr. Chairman. I will be brief.

2996           As one who has a great many patents, albeit many  
2997 expiring and only a few pending, the fact is that this  
2998 examination process is a tool for the patent holder to clear  
2999 up a problem. Normally and often, it is because you sent  
3000 somebody out a notice that they are in fact infringing your  
3001 patent. They send you back why the heck they are not. You  
3002 look and say, oops. Well, they are still infringing if I  
3003 amend, and so you go back in, ex parte, and you seek to  
3004 amend on a one-sided basis, try to get your patent  
3005 appropriately narrowed so that you retain claims. This is a  
3006 tool for -- and as an inventor it is a good tool. It is a  
3007 tool that allows supplemental discovery not to have you have  
3008 to go to court and argue with somebody less knowledgeable,  
3009 the Patent Office. But at the same time, the fact is, I

3010 trust no one more to be fair with the inequitable conduct of  
3011 fraud than the Patent Office. They do not look for it.  
3012 They do not seek it out. But when they find it, they should  
3013 react. And I think all of us here look at the Patent Office  
3014 as effectively a neutral party, some of us claim too easy  
3015 for patents, some of us claim too hard for patents. But  
3016 they do not easily find fraud. They do not easily  
3017 invalidate patents. They do not easily do this. The fact  
3018 is, as a patent holder, when I go to the Patent Office, I  
3019 find a very friendly, audience who want me to get what I am  
3020 entitled to. They work with us to do it. And when we come  
3021 back to narrow claims or even with continuations and so on,  
3022 they tend to be very cooperative. This is about simply  
3023 saying, if you reopen, then what they find, they should be  
3024 able to use. And, remember, this is narrow. Whatever you  
3025 give them is only limited to the portions of your patent it  
3026 applies to. But if I think a new discovery only applies to  
3027 claim 1, they have every obligation to say, no, it applies  
3028 to all your independent claims, and we have to go through  
3029 that process.

3030           So, I would strongly suggest the gentleman from  
3031 Virginia has found a clear example where we should give the

3032 PTO the appropriate authority. I strongly support it.

3033 Mr. Johnson. Would the gentleman yield?

3034 Mr. Issa. And I would yield to the gentleman from  
3035 Georgia.

3036 Mr. Johnson. Thank you. The fact is that the U.S.  
3037 PTO is fully entitled to refer any misconduct to the U.S.  
3038 Attorney's Office, Justice Department --

3039 Mr. Issa. Reclaiming my time, actually the fraud that  
3040 we are dealing with here is in fact simply a civil one that  
3041 would lead to a civil remedy --

3042 Mr. Johnson. Would the gentleman yield?

3043 Mr. Issa. -- which would be the invalidation of the  
3044 patent.

3045 Mr. Johnson. Would the gentleman yield?

3046 Mr. Issa. I will in a second. But from a practical  
3047 standpoint, the Patent Office does not refer for criminal.  
3048 They do not look at that. What they say is, look, for  
3049 example, you knew. You clearly knew about this prior art.  
3050 You did not disclose it. That would be an example of fraud.

3051 Now, understand, every time I have ever been a  
3052 plaintiff or a defendant in a suit, I am positive we alleged  
3053 inequitable conduct. This is not the allegation of

3054 inequitable conduct. This is a simple evidence that  
3055 uncovers itself in a one-sided communication in which you do  
3056 not attempt to tell the Patent Office you that you have  
3057 committed fraud. They simply find that it reveals itself.

3058 I yield to the gentleman.

3059 Mr. Johnson. Would the gentleman yield?

3060 Mr. Issa. I have yielded to the gentleman from  
3061 Georgia.

3062 Mr. Johnson. Thank you. As far as inequitable  
3063 conduct is concerned, what this supplemental examination  
3064 practice would enable is for people who may have made  
3065 mistakes, patentees who may have made some kind of mistake,  
3066 or perhaps their attorney made a mistake in terms of leaving  
3067 out some information that was germane to the patent.

3068 Mr. Issa. And reclaiming my time, that is exactly  
3069 right. That is the reason this tool exists. But, remember,  
3070 if in fact you knew about the information and you are simply  
3071 giving it to the Patent Office because somebody is in the  
3072 process of invalidating your patent, and you rush in a one-  
3073 sided procedure to try to get the full faith of the PTO  
3074 behind the assumption of validity, then in fact they should  
3075 be able to ask -- and they do -- the reasonable question of,

3076 well, okay, when did you get this information? Why did you  
3077 not know it, you know? What you are giving us today is  
3078 printed on your stationery. What you are giving us today  
3079 are your instruction manuals. Why did you not know or we  
3080 should not hold you to know about your own prior art. Those  
3081 would be examples where I think they need to make the  
3082 judgment call.

3083 I thank the gentleman for his narrowly crafted, but  
3084 important amendment. Yield back.

3085 Chairman Smith. The gentleman has yielded back his  
3086 time.

3087 The vote is on the Goodlatte amendment. All in favor,  
3088 say aye.

3089 [Chorus of ayes.]

3090 Chairman Smith. All opposed, nay?

3091 [Chorus of nays.]

3092 Chairman Smith. The chair is unclear, and we will  
3093 have a roll call vote. And the clerk will call the vote.

3094 Ms. Kish. Mr. Smith?

3095 Chairman Smith. Present.

3096 Ms. Kish. Mr. Smith votes present.

3097 Mr. Sensenbrenner?

3098 Mr. Sensenbrenner. No.

3099 Ms. Kish. Mr. Sensenbrenner votes no.

3100 Mr. Coble?

3101 Ms. Kish. Mr. Coble votes no.

3102 Mr. Gallegly?

3103 Mr. Gallegly. Pass.

3104 Mr. Kish. Mr. Gallegly votes to pass.

3105 Mr. Goodlatte?

3106 Mr. Goodlatte. Aye.

3107 Ms. Kish. Mr. Goodlatte votes aye.

3108 Mr. Lungren?

3109 Mr. Lungren. Aye.

3110 Ms. Kish. Mr. Lungren votes aye.

3111 Ms. Kish. Mr. Chabot?

3112 Mr. Chabot. Yes.

3113 Ms. Kish. Mr. Chabot votes yes.

3114 Ms. Kish. Mr. Issa?

3115 Mr. Issa. Aye.

3116 Mr. Kish. Mr. Issa votes aye.

3117 Mr. Pence?

3118 [No response.]

3119 Ms. Kish. Mr. Forbes?

3120 Mr. Forbes. Aye.

3121 Ms. Kish. Mr. Forbes votes aye.

3122 Mr. King?

3123 [No response.]

3124 Ms. Kish. Mr. Franks?

3125 Mr. Franks. Aye.

3126 Ms. Kish. Mr. Franks votes aye.

3127 Mr. Gohmert?

3128 [No response.]

3129 Ms. Kish. Mr. Jordan?

3130 [No response.]

3131 Ms. Kish. Mr. Poe?

3132 [No response.]

3133 Mr. Chaffetz?

3134 Mr. Chaffetz. Aye.

3135 Ms. Kish. Mr. Chaffetz votes aye.

3136 Mr. Griffin?

3137 Mr. Griffin. Aye.

3138 Ms. Kish. Mr. Griffin votes aye.

3139 Mr. Marino?

3140 Mr. Marino. Aye.

3141 Ms. Kish. Mr. Marino votes aye.

3142 Mr. Gowdy?

3143 Mr. Gowdy. Aye.

3144 Ms. Kish. Mr. Gowdy votes aye.

3145 Mr. Ross?

3146 Mr. Ross. Aye.

3147 Ms. Kish. Mr. Ross votes aye.

3148 Ms. Adams?

3149 Ms. Adams. Aye.

3150 Ms. Kish. Ms. Adams votes aye.

3151 Mr. Quayle?

3152 Mr. Quayle. Aye.

3153 Ms. Kish. Mr. Quayle votes aye.

3154 Mr. Conyers?

3155 Mr. Conyers. Aye.

3156 Ms. Kish. Mr. Conyers votes aye.

3157 Mr. Berman?

3158 Mr. Berman. Aye.

3159 Ms. Kish. Mr. Berman votes aye.

3160 Mr. Nadler?

3161 Mr. Nadler. Aye.

3162 Ms. Kish. Mr. Nadler votes aye.

3163 Mr. Scott?

3164 Mr. Scott. Aye.

3165 Ms. Kish. Mr. Scott votes aye.

3166 Mr. Watt?

3167 Mr. Watt. Aye.

3168 Ms. Kish. Mr. Watt votes aye.

3169 Ms. Lofgren?

3170 Ms. Lofgren. Aye.

3171 Ms. Kish. Ms. Lofgren votes aye.

3172 Ms. Jackson Lee?

3173 Ms. Jackson Lee. No.

3174 Ms. Kish. Ms. Jackson Lee votes no.

3175 Ms. Waters?

3176 Ms. Waters. Aye.

3177 Ms. Kish. Ms. Waters votes aye.

3178 Mr. Cohen?

3179 Mr. Cohen. Pass.

3180 Ms. Kish. Mr. Cohen votes to pass.

3181 Mr. Johnson?

3182 Mr. Johnson. No.

3183 Ms. Kish. Mr. Johnson votes no.

3184 Mr. Pierluisi?

3185 Mr. Pierluisi. No.

3186 Ms. Kish. Mr. Pierluisi votes no.  
3187 Mr. Quigley?  
3188 [No response.]  
3189 Ms. Kish. Ms. Chu?  
3190 Ms. Chu. No.  
3191 Ms. Kish. Ms. Chu votes no.  
3192 Mr. Deutch?  
3193 Mr. Deutch. Aye.  
3194 Ms. Kish. Mr. Deutch votes aye.  
3195 Ms. Sanchez?  
3196 [No response.]  
3197 Ms. Kish. Ms. Wasserman Schultz?  
3198 Chairman Smith. Are there any other members who wish  
3199 to record their votes? The gentleman from Iowa, Mr. King.  
3200 Mr. King. Aye.  
3201 Ms. Kish. Mr. King votes aye.  
3202 Chairman Smith. The gentleman from Indiana, Mr.  
3203 Pence.  
3204 Mr. Pence. No.  
3205 Ms. Kish. Mr. Pence votes no.  
3206 Chairman Smith. The clerk will report.  
3207 The clerk will suspend.

3208 The gentleman from California, Mr. Gallegly.

3209 Mr. Gallegly. No.

3210 Chairman Smith. Votes no.

3211 Ms. Kish. Mr. Gallegly votes no.

3212 Mr. Chairman, 21 members voted aye, 9 members voted  
3213 nay, 1 member voted present, and 1 member voted to pass.

3214 Chairman Smith. And the ayes have it, and the  
3215 amendment is agreed to.

3216 We are going to take up two more quick items before we  
3217 break to go vote. And the first is for me to recognize the  
3218 gentleman from Arkansas, Mr. Griffin?

3219 Mr. Griffin. Mr. Chairman, I move to strike the last  
3220 word.

3221 Chairman Smith. The gentleman is recognized for five  
3222 minutes?

3223 Mr. Griffin. I would just like to put in the record  
3224 that I was meeting with some constituents during the  
3225 manager's amendment vote, and if I would have been here, I  
3226 would have voted in favor.

3227 Chairman Smith. Thank you, Mr. Griffin.

3228 With the agreement of Lofgren and Ms. Jackson Lee, we  
3229 are going to take up the Waters amendment very quickly out

3230 of order.

3231 And the gentlewoman from California is recognized?

3232 Ms. Waters. Thank you very much, Mr. Chairman. I

3233 have an amendment at the desk.

3234 Chairman Smith. The clerk will report the amendment.

3235 Ms. Kish. "Amendment to H.R. 1249" --

3236 Chairman Smith. Without objection, the amendment will

3237 be considered as read.

3238 [The information follows:]

3239

3240 Ms. Waters. Mr. Chairman, I want to thank you in  
3241 advance for your support for my amendment. It is an  
3242 uncontroversial and important measure that I believe will  
3243 supply Congress with the critical research and analysis it  
3244 needs to ensure that H.R. 1249 is achieving its intended  
3245 policy objective.

3246 Considering the scope of reforms the American Invents  
3247 Act will make to our patent system, I believe my amendment  
3248 is well warranted and appropriate.

3249 The Waters Amendment to H.R. 1249 would require the  
3250 United States Patent and Trademark Office to conduct a study  
3251 on the manner in which H.R. 1249 is being implemented by the  
3252 U.S. PTO, and on other aspects of the patent policies and  
3253 practices of the Federal Government with respect to patent  
3254 rights, innovation in the United States, competitiveness of  
3255 the United States markets, access by small businesses, to  
3256 capital for investment and other such issues the U.S. PTO  
3257 directed deems appropriate.

3258 This amendment would require U.S. PTO to complete the  
3259 implementation study four years after H.R. 1249 is enacted.

3260 I yield back the balance of my time.

3261 Chairman Smith. Thank you, Ms. Waters.

3262 I support the amendment.

3263 All in favor of the amendment, say aye.

3264 [Chorus of ayes.]

3265 Chairman Smith. Opposed, nay?

3266 [No response.]

3267 The amendment is agreed to.

3268 We only have three or four more amendments remaining  
3269 that I am aware of. Please return after this series of  
3270 votes. And we now will take a recess and reconvene after  
3271 the last vote.

3272 [Recess.]

3273 Chairman Smith. The Judiciary Committee will resume  
3274 our mark-up, and we will now go to an amendment offered by  
3275 the gentlewoman from California, Ms. Lofgren?

3276 Ms. Lofgren. Thank you, Mr. Chairman.

3277 I would ask that Lofgren 15 at the desk be brought  
3278 forward.

3279 Chairman Smith. The clerk will report the amendment.

3280 Ms. Kish. "Amendment to H.R. 1249 offered by Ms. Zoe  
3281 Lofgren of California, page 99" --

3282 Chairman Smith. Without objection, the amendment will  
3283 be considered as read.

3284 [The information follows:]

3285

3286 Chairman Smith. The gentlewoman is recognized to  
3287 explain her amendment?

3288 Ms. Lofgren. Thank you, Mr. Chairman.

3289 While the adopted amendment that Mr. Goodlatte brought  
3290 forward makes some progress in limiting the use of  
3291 supplemental examination to immunize fraud on the PTO, as I  
3292 mentioned during the discussion of the amendment, I do not  
3293 think it is sufficient to address the inherent problems with  
3294 the new proceeding.

3295 I think the line between fraud and unintentional  
3296 omission can sometimes be a fine line, and it is heavily  
3297 fact determinative. And the courts are well suited to make  
3298 such a determination. The U.S. Patent and Trademark Office  
3299 is not.

3300 The PTO officials have previously stated that they do  
3301 not have the practical capabilities to police fraud, and  
3302 there is nothing in Mr. Goodlatte's amendment that changes  
3303 that.

3304 Giving the PTO the theoretical power to punish fraud,  
3305 which they already have in other ways under law, does not  
3306 ensure that they will be able to identify. As we know,  
3307 under law, a defendant can defend an infringement suit by

3308 alleging that a patent applicant committed inequitable  
3309 conduct. That requires proving that the applicant made a  
3310 misrepresentation, omission, or falsification of material  
3311 information with intent to deceive or mislead the Patent  
3312 Office. If the defendant can prove this allegation in  
3313 court, the patent is unenforceable.

3314 Now, the inequitable conduct defense provides a strong  
3315 incentive for patent applicants to be very candid in their  
3316 applications to the Office. This strong duty of candor,  
3317 backed by the threat of invalidity in litigation, ensures  
3318 that the PTO has accurate and complete information in  
3319 deciding whether to grant a patent. Section 11 of the bill  
3320 I think threatens these incentives by creating this new  
3321 process where patent owners can protect themselves from  
3322 inequitable conduct defenses after their patents have  
3323 already been granted.

3324 The patent owner could submit additional information,  
3325 including prior art, that may be material to the validity of  
3326 the previously-issued patent, and that includes information  
3327 that should have been included in the patent application,  
3328 but was not, including material that is not fraudulent,  
3329 which an additional reason why Mr. Goodlatte's amendment

3330 does not fully solve the problem.

3331           You know, I think the supplemental examination weakens  
3332 the existing incentives for full disclosure and accuracy in  
3333 patent applications. We have a punishment that deters  
3334 misrepresentation or omissions done in bad faith right now,  
3335 and I think supplemental exams could, in effect, reward  
3336 someone for withholding information from the Patent Office.

3337           I believe that some industries, such as information  
3338 technology, already suffer from a glut of patents with  
3339 dubious validity, and supplemental examinations could make  
3340 those quality problems even worse by raising the risk of  
3341 defects in the applications that the PTO relies upon.

3342           Now, the proponents of the provision say patent owners  
3343 can be vulnerable to inequitable conduct defenses, even when  
3344 there is no dishonesty. They argue that an honest mistake  
3345 or omission in a patent application should not invalidate an  
3346 entire patent, and that defendants often raise frivolous  
3347 inequitable conduct defenses.

3348           I think those concerns are not illegitimate, but I  
3349 think creating a new administrative procedure is not the  
3350 answer. If these are real problems, then the standard for a  
3351 finding of inequitable conduct should be refined

3352 accordingly. And, as a matter of fact, the Federal circuit  
3353 is currently considering a case en banc that could do  
3354 exactly that.

3355         This would be in addition to the other safeguards for  
3356 patent owners that already exist, including burdens to plead  
3357 allegations of inequitable conduct with particularity, and  
3358 then to prove them with clear and convincing evidence.

3359         So, while I commend Mr. Goodlatte for his effort and  
3360 his recognition that the bill creates problems, I think the  
3361 wiser course is simply to strike this whole section and move  
3362 forward.

3363         And with that, I yield back the balance of my time.

3364         Chairman Smith. Thank you, Ms. Lofgren.

3365         Mr. Johnson. I would like to strike the last word.

3366         Chairman Smith. Let me recognize myself in opposition  
3367 and then I will be happy to recognize other members.

3368         The gentlewoman's amendment strikes the supplemental  
3369 examination feature from the bill.

3370         The National Academies and the Federal Trade  
3371 Commission published major studies of the patent system  
3372 prior to congressional debate that began on this project in  
3373 2005. One feature of the patent system that they criticized

3374 is the inequitable conduct defense. This occurs when an  
3375 infringer alleges that the patent holder made a material  
3376 misstatement or an omission with the intent to deceive PTO  
3377 when applying for a patent.

3378 While the law should punish genuine deception, the  
3379 defense is reflexively pled in every case almost regardless  
3380 of the facts.

3381 Because penalties for inequitable conduct are severe,  
3382 including loss of the patent and attorney's fees, inventors  
3383 frequently do not read prior art for their inventions for  
3384 fear that citation of a patent in their application may  
3385 expose them to sanctions under the inequitable conduct  
3386 doctrine.

3387 The courts also waste time trying to discern this  
3388 objective intent of the inventor when they file for patent  
3389 protection. This constitutes wasteful litigation that  
3390 should not be a part of the system.

3391 The bill encourages inventors to correct honest  
3392 mistakes they made when applying for a patent. This is much  
3393 better than having a patent of poor integrity circulating in  
3394 the economy.

3395 The provision allows the inventor to come forward and

3396 correct any mistake regarding one or more claims, but that  
3397 act does not constitute evidence of inequitable conduct that  
3398 can be used by an infringer in a lawsuit against them.

3399 Let me let other individuals who seek to be recognized  
3400 on this bill.

3401 The gentleman from Georgia, Mr. Johnson?

3402 Mr. Johnson. Thank you, Mr. Chairman. I move to  
3403 strike the last word.

3404 Chairman Smith. The gentleman is recognized for five  
3405 minutes?

3406 Mr. Johnson. All patent owners have an interest in  
3407 strong, quality patents. Thus, I applaud this new  
3408 supplemental examination procedure, which is found in the  
3409 Chairman's bill. This procedure establishes a new  
3410 supplemental proceeding that allows patentees to bring  
3411 relevant information not considered or available at the time  
3412 the patent was originally issued, to the Patent Office for a  
3413 second look. If the U.S. PTO finds that the information  
3414 raises a substantial new question of patentability, its  
3415 expert examiners will formally reexamine the patent, which  
3416 could result in cancellation of claims, loss of the patent,  
3417 or limitations on its scope.

3418 Supplemental examination will not be available to fix  
3419 mistakes or admissions first brought to light by a third  
3420 party in litigation, and the bill expressly states that this  
3421 new proceeding does not preclude the imposition of sanctions  
3422 on a patent owner based upon any relevant criminal or anti-  
3423 trust laws. And this provision is definitely within the  
3424 public interest.

3425 So many times, inequitable conduct is raised in a  
3426 gotcha kind of situation when there really has been no  
3427 inequitable conduct. There may have been a mistake. The  
3428 mistake may have been as innocuous as missing information  
3429 about an expert's background that was not available at the  
3430 time, but arose later; things such as the patent attorney  
3431 committing some malpractice, failing to provide to the  
3432 Patent Office information that was available, and simply the  
3433 attorney made a mistake and did not present it. That should  
3434 not put a patentee in a precarious situation. We should  
3435 have some mechanism of the patentee being able voluntarily  
3436 to come in and rectify any kind of mistake that may have  
3437 been made with respect to the original patent examination.

3438 To not have this new process, this supplemental  
3439 examination process, would lead to inventors who have

3440 received patents leaving those patents on the table because  
3441 there is some kind of a mistake that was made in acquiring  
3442 the original patent. And this may be a lifesaving drug that  
3443 could have been discovered if that patent had been  
3444 exploited, but it was not because the patentee decided that  
3445 he had more to lose than to gain by prosecuting that patent.  
3446 It could have been something even as important as the  
3447 discovery of Viagra. I mean, we certainly would not have  
3448 wanted those folks to not have an opportunity to supplement  
3449 the examination process with additional information that had  
3450 been mistakenly left out. Now if it was fraudulently left  
3451 out or if it was intentionally left out, it would not be to  
3452 the benefit of that patentee to actually engage in the  
3453 process of the supplemental examination. It just would not  
3454 make sense to turn yourself in after you have committed  
3455 fraud.

3456         And so, what we are doing is preventing a lot of  
3457 lawsuits that would clog up the courts if we do not have  
3458 this kind of supplemental examination process in place. It  
3459 is something that needs to happen, and I support it 100  
3460 percent. And so, I would ask that the committee deny or  
3461 oppose this amendment.

3462 Chairman Smith. Thank you, Mr. Johnson.

3463 The gentleman from Virginia, Mr. Goodlatte, is  
3464 recognized?

3465 Mr. Goodlatte. I would strike the last word.

3466 Chairman is recognized for five minutes?

3467 Mr. Goodlatte. Thank you, Mr. Chairman.

3468 As much as I appreciate the gentlewoman from  
3469 California's support for the amendment that helped to cure a  
3470 concern that I had about the supplemental examination  
3471 process, I will say that I think this new process is one  
3472 that is worthy if it is helpful in allowing those who not  
3473 have engaged in wrongdoing, but have simply inadvertently  
3474 omitted something, or made a mistake, or misunderstood  
3475 something, and need to correct it. The supplemental  
3476 examination process is a good one, and I will support the  
3477 process with the amendment added that does work to root out  
3478 fraud. I think people arguing on both sides of this have  
3479 argued that PTO is not the place to find fraud, but, quite  
3480 frankly, I think it is. They are the ones who are right  
3481 there on the front lines, and many times they will see  
3482 actions that involve fraud. Now that they have the  
3483 authority to take action against those who commit fraud as a

3484 part of this supplemental examination process, I support the  
3485 supplemental exam and oppose the amendment.

3486 Chairman Smith. Thank you, Mr. Goodlatte.

3487 Ms. Jackson Lee. Mr. Chairman?

3488 Chairman Smith. The gentlewoman from Texas, Ms.  
3489 Jackson Lee?

3490 Ms. Jackson Lee. Well, I think since we are operating  
3491 in a bipartisan fashion that we need to at least ascertain  
3492 the gentlelady's premise. And I do think if there are  
3493 distinctions between industries, and particularly Silicon  
3494 Valley, that we should consider it.

3495 My basis for concern on this amendment is, again,  
3496 reasserting my position of wanting to modernize the system,  
3497 wanting to create jobs, wanting to move the process along.  
3498 Now, whenever I hear a comment being made about wasteful  
3499 litigation, I want to run in the opposite direction because  
3500 I think everyone has a right to petition the courts, and it  
3501 is up to the courts to make a decision as to whether or not  
3502 someone is in the court inappropriately.

3503 But on the supplemental procedure, what I like about  
3504 it is that it allows you to come in -- I do not know whether  
3505 you call yourself a clean-up batter or you call yourself

3506 someone who is shining the light on whatever the invention  
3507 and product that you have offered. And I take issue. I  
3508 have said this before. I was not able to expand on it.  
3509 There is a fraud definition in this bill, and I do believe  
3510 that the PTO has a good eye for knowing what are the gamers  
3511 and who is there seriously presenting an opportunity to  
3512 create an invention, thereby a patent, and to move forward  
3513 on creating jobs or selling to the world market.

3514 Supplemental information comes to an individual after  
3515 the patent application is filed or while their drug is being  
3516 tested, and I would not associate fraudulent interests to  
3517 bringing in supplemental information. But I would ask, Mr.  
3518 Chairman, that the issues that the gentlelady is raising be  
3519 addressed. The underlying amendment that she is offering, I  
3520 oppose it because I think the process that we have in place  
3521 now works or should work, and I have confidence that the PTO  
3522 could in fact be an effective fraud cop. I could not, if  
3523 you will, go beyond Mr. Johnson's eloquent description and  
3524 example. I will leave that to his great works. But I will  
3525 say that when you are engaged in the testing of drugs at the  
3526 FDA, there is that possibility for more information, and we  
3527 should encourage everyone to put their cards on the table,

3528 encourage them to put their cards on the table. And I think  
3529 the supplemental encourages them to put their cards on the  
3530 table. But I would ask that the gentlelady's concern, Mr.  
3531 Chairman, be responded.

3532 I will yield to the gentlelady.

3533 Ms. Lofgren. I thank the gentlelady for yielding.

3534 One of the issues, and I think you raised on it, is  
3535 whether the supplemental examination could increase legal  
3536 barriers to competition from generic drugs against  
3537 improperly issued pharmaceutical patents. And I would ask  
3538 unanimous consent to enter into the record a letter from the  
3539 Consumer's Union and the American Association of Retired  
3540 persons expressing their opposition to supplemental  
3541 examinations for this reason. As we all know, legitimate  
3542 generic competition drastically reduces the prices of drugs,  
3543 which as a direct physical impact on both patients and  
3544 taxpayers, and is an additional reason why I offered this  
3545 amendment. And I thank the gentlelady for yielding.

3546 Chairman Smith. And without objection, it will be  
3547 made a part of the record.

3548 [The information follows:]

3549

3550 Ms. Jackson Lee. I have not yielded back. Let me  
3551 just conclude my remarks by saying I think the gentlelady's  
3552 point is well taken. I do not want to see a fistfight  
3553 between generic and other drugs that are patented. But what  
3554 I would like to say is there has to be a reasonable  
3555 response, and I think the supplemental structure is a  
3556 positive structure for, again, producing a product, creating  
3557 jobs, but as well, putting the light on a product, do not  
3558 hesitate, come forward, show us what you found, show us what  
3559 the problems are, and I believe that light is a very  
3560 positive one.

3561 With that, I yield back and oppose the amendment.

3562 Chairman Smith. Thank you, Ms. Jackson Lee.

3563 The vote is on the Lofgren amendment. All in favor,  
3564 say aye.

3565 [Chorus of ayes.]

3566 Chairman Smith. All opposed, say nay.

3567 [Chorus of nays.]

3568 Chairman Smith. The nays have it. The amendment is  
3569 not agreed to.

3570 Ms. Lofgren. Could I have a recorded vote?

3571 Chairman Smith. A recorded vote has been requested,

3572 and the clerk will call the roll.

3573 Ms. Kish. Mr. Smith?

3574 Chairman Smith. No.

3575 Ms. Kish. Mr. Smith votes no.

3576 Mr. Sensenbrenner?

3577 [No response.]

3578 Ms. Kish. Mr. Coble?

3579 Mr. Gallegly?

3580 Mr. Gallegly. No.

3581 Mr. Kish. Mr. Gallegly votes no.

3582 Mr. Goodlatte?

3583 Mr. Goodlatte. No.

3584 Ms. Kish. Mr. Goodlatte votes no.

3585 Mr. Chabot?

3586 [No response.]

3587 Ms. Kish. Mr. Issa?

3588 Mr. Issa. No.

3589 Mr. Kish. Mr. Issa votes no.

3590 Mr. Pence?

3591 [No response.]

3592 Ms. Kish. Mr. Forbes?

3593 [No response.]

3594 Ms. Kish. Mr. King?  
3595 Mr. Franks?  
3596 Mr. Franks. No.  
3597 Ms. Kish. Mr. Franks votes no.  
3598 Mr. Gohmert?  
3599 [No response.]  
3600 Ms. Kish. Mr. Jordan?  
3601 [No response.]  
3602 Ms. Kish. Mr. Poe?  
3603 [No response.]  
3604 Ms. Kish. Mr. Chaffetz?  
3605 [No response.]  
3606 Ms. Kish. Mr. Griffin?  
3607 [No response.]  
3608 Ms. Kish. Mr. Marino?  
3609 Mr. Marino. No.  
3610 Ms. Kish. Mr. Marino votes no.  
3611 Mr. Gowdy?  
3612 Mr. Gowdy. No.  
3613 Ms. Kish. Mr. Gowdy votes no.  
3614 Mr. Ross?  
3615 [No response.]

3616 Ms. Kish. Ms. Adams?  
3617 Ms. Adams. No.  
3618 Ms. Kish. Ms. Adams votes no.  
3619 Mr. Quayle?  
3620 Mr. Quayle. No.  
3621 Ms. Kish. Mr. Quayle votes no.  
3622 Mr. Conyers?  
3623 Mr. Conyers. Aye.  
3624 Ms. Kish. Mr. Conyers votes aye.  
3625 Mr. Berman?  
3626 [No response.]  
3627 Ms. Kish. Mr. Nadler?  
3628 Mr. Nadler. Aye.  
3629 Ms. Kish. Mr. Nadler votes aye.  
3630 Mr. Scott?  
3631 Mr. Scott. Aye.  
3632 Ms. Kish. Mr. Scott votes aye.  
3633 Mr. Watt?  
3634 Mr. Watt. Aye.  
3635 Ms. Kish. Mr. Watt votes aye.  
3636 Ms. Lofgren?  
3637 Ms. Lofgren. Aye.

3638 Ms. Kish. Ms. Lofgren votes aye.

3639 Ms. Jackson Lee?

3640 Ms. Jackson Lee. No.

3641 Ms. Kish. Ms. Jackson Lee votes no.

3642 Ms. Waters?

3643 [No response.]

3644 Ms. Kish. Mr. Cohen?

3645 Mr. Cohen. Aye.

3646 Ms. Kish. Mr. Cohen votes to aye.

3647 Mr. Johnson?

3648 Mr. Johnson. No.

3649 Ms. Kish. Mr. Johnson votes no.

3650 Mr. Pierluisi?

3651 Mr. Pierluisi. No.

3652 Ms. Kish. Mr. Pierluisi votes no.

3653 Mr. Quigley?

3654 Mr. Quigley. No.

3655 Ms. Kish. Mr. Quigley votes no.

3656 Ms. Chu?

3657 Ms. Chu. Aye.

3658 Ms. Kish. Ms. Chu votes aye.

3659 Mr. Deutch?

3660 Mr. Deutch. No.

3661 Ms. Kish. Mr. Deutch votes no.

3662 Ms. Sanchez?

3663 Ms. Sanchez. No.

3664 Ms. Kish. Ms. Sanchez votes no.

3665 Ms. Wasserman Schultz?

3666 Ms. Wasserman Schultz. Pass.

3667 Ms. Kish. Ms. Wasserman Schultz votes pass.

3668 Chairman Smith. Are there other members who be

3669 recorded? The gentleman from Ohio?

3670 Mr. Chabot. No.

3671 Ms. Kish. Mr. Chabot votes no.

3672 Chairman Smith. The gentleman from California?

3673 Mr. Lungren. No.

3674 Ms. Kish. Mr. Lungren votes no.

3675 Chairman Smith. The gentleman from North Carolina?

3676 Mr. Coble. No.

3677 Ms. Kish. Mr. Coble votes no.

3678 Chairman Smith. The gentleman from Utah?

3679 Mr. Chaffetz. No.

3680 Ms. Kish. Mr. Chaffetz votes no.

3681 Chairman Smith. The gentlewoman from Florida?

3682 Ms. Wasserman Schultz. I vote aye.

3683 Ms. Kish. Ms. Wasserman Schultz votes aye.

3684 Chairman Smith. The gentlewoman from California?

3685 Ms. Chu. No.

3686 Ms. Kish. Ms. Chu has voted aye. Ms. Chu votes no.

3687 Chairman Smith. The gentleman from California, Mr.

3688 Berman?

3689 Mr. Berman. Aye.

3690 Ms. Kish. Mr. Berman votes aye.

3691 Chairman Smith. Are there other members who wish to

3692 be recorded? The gentleman from Arkansas?

3693 Mr. Griffin. No.

3694 Ms. Kish. Mr. Griffin votes no.

3695 Chairman Smith. The clerk will report.

3696 Ms. Kish. Mr. Chairman, 8 members voted aye, 21

3697 members voted nay.

3698 Chairman Smith. The majority having voted against the

3699 amendment, the amendment is not agreed to.

3700 We will now go to two Jackson Lee amendments. And if

3701 the gentlewoman from Texas will offer her two amendments in

3702 block, we are prepared to accept them?

3703 Ms. Jackson Lee. I thank the chairman. I have an

3704 amendment at the desk, and I would be willing to take them  
3705 in block.

3706 Mr. Chairman. Okay. The clerk will report the  
3707 amendments.

3708 Ms. Kish. "Amendment to H.R. 1249, offered by Ms.  
3709 Jackson Lee of Texas, page 23, after line 9, insert" --  
3710 Chairman Smith. Without objection, the amendments  
3711 will be considered as read.

3712 [The information follows:]

3713

3714 Chairman Smith. The gentlewoman from Texas will be  
3715 recognized to explain them?

3716 Ms. Jackson Lee. Chairman and colleagues, ranking  
3717 member, I have said, as we begun this process, and it is a  
3718 year's long process, that our focus should be on how we can  
3719 move the invention and patent process along so that we could  
3720 begin the job creation and, as well, protect the American  
3721 genius.

3722 And so, my amendment hopefully is painless, but I  
3723 believe it is important to restate that as we move from  
3724 first inventor to use, as this bill may ultimately be passed  
3725 with modification to a system of first inventor to file,  
3726 that we will promote the progress of science by securing,  
3727 for a limited time, to inventors the exclusive rights to  
3728 their discoveries and provide inventors with greater  
3729 certainty regarding the scope of protection granted by the  
3730 exclusive rights.

3731 And I view this as all inventors. My good friend Mr.  
3732 Issa indicated that he is a well-documented inventor. He is  
3733 of sizable proportion. There are others that are just  
3734 beginning. There are universities that have concern about  
3735 this first to file.

3736 I want to make sure that this system can be utilized  
3737 to encourage all aspects of invention in the United States,  
3738 from business, to universities, to small. And so, this is a  
3739 sense of Congress, amendment number 16, that speaks  
3740 specifically to the question of making sure that we know in  
3741 this bill that it is to encourage a system that gives  
3742 greater certainty, less ambiguity, and more protection to  
3743 our inventors.

3744 I cite for my colleagues Article I, Section 8 that  
3745 refers to this Congress' role in "promoting the progress of  
3746 science and useful arts by securing the limited times to  
3747 authors and inventors the exclusive right to their  
3748 respective writings and discoveries." Frankly, I think we  
3749 have gotten away from that.

3750 My amendment number 17 indicates that the first to  
3751 file is good for promoting certainty for inventors and  
3752 businesses, both large and small, and helps to keep American  
3753 business competitive on a global level. If there is one  
3754 thing that has driven, I believe, this patent reform, it is  
3755 what many of us have seen overseas, and the unfortunate  
3756 fleeting of our ideas, and the poisoning, if you will, of  
3757 the competition system as it relates to patents.

3758           And so, I would argue vigorously that it is extremely  
3759 important that we keep on this track, and my amendments are  
3760 a sense of Congress to restate our commitment that would  
3761 harmonize the United States patent registration system with  
3762 the patent registration systems that are used around the  
3763 world, and so that we have a system that cannot be cheated  
3764 on, and we have a system that is working.

3765           With that, Mr. Chairman, I ask my colleagues to  
3766 support the amendment.

3767           Chairman Smith. Thank you, Ms. Jackson Lee. I, too,  
3768 support the amendments and urge our colleagues to support  
3769 them.

3770           If there is no further comment on them, we will vote  
3771 on the en block, two Jackson Lee amendments. All in favor  
3772 say aye?

3773           [Chorus of ayes.]

3774           Chairman Smith. Opposed, nay?

3775           [No response.]

3776           Chairman Smith. The ayes have it, and the amendment  
3777 is agreed to.

3778           We have only two or three amendments left. We will  
3779 now go to the gentlewoman from California, Ms. Chu, for her

3780 amendment.

3781           If it is all right with Ms. Chu, we will proceed to  
3782 the Wasserman Schultz amendment. And the gentlewoman from  
3783 Florida is recognized for that purpose?

3784           Ms. Wasserman Schultz. Thank you, Mr. Chairman.

3785           Mr. Chairman, I have an amendment at the desk. It is  
3786 amendment number 21.

3787           Chairman Smith. The clerk will report the amendment.

3788           Ms. Wasserman Schultz. And I ask unanimous consent to  
3789 waive the reading.

3790           Chairman Smith. Without objection, the amendment will  
3791 be considered as read.

3792           [The information follows:]

3793

3794 Chairman Smith. The gentlewoman is recognized to  
3795 explain the amendment?

3796 Ms. Wasserman Schultz. Thank you, Mr. Chairman.

3797 Mr. Chairman, with the committee's indulgence, I want  
3798 to share a personal story for a couple of minutes.

3799 As many of you know, several years ago, just after my  
3800 41st birthday, I found a lump while doing a routine breast  
3801 self-exam. And it was cancer. Luckily, I found my tumor  
3802 early, and my treatments were initially fairly  
3803 straightforward. I was supposed to have a lumpectomy and  
3804 radiation, and that would have been the end of the story.  
3805 But an incredibly wise and thoughtful nurse educator asked  
3806 the right questions about my family's health history that  
3807 threw my story for a loop. I never would have known that as  
3808 an Ashkenazi Jewish woman, a Jew of Eastern European descent  
3809 with two paternal aunts who had had cancer, that there were  
3810 some significant red flags in my genetic file.

3811 I did not know that as an Ashkenazi Jew I was five  
3812 times more likely to have the BRCA 1 or BRCA 2 mutation that  
3813 drastically increases the likelihood of getting breast or  
3814 ovarian cancer. I did not know that carriers of that  
3815 mutated gene, the BRCA gene, have up to an 85 percent

3816 lifetime chance of getting breast cancer, and up to a 60  
3817 percent chance of getting ovarian cancer.

3818 My nurse suggested that I take the BRCA test, and I  
3819 could not be more grateful for her knowledge and advice.  
3820 This process, however, presented a new set of challenges and  
3821 questions for which no woman could ever be prepared.

3822 You see, there is only one test on the market for the  
3823 BRCA mutations. The maker of this test not only has a  
3824 patent on the gene itself, they also have an exclusive  
3825 license for their laboratories to administer the test. So  
3826 there is absolutely no way for someone who is questioning  
3827 her genetic risk for breast or ovarian cancer to get a  
3828 second opinion.

3829 This is intensified by the fact that for many woman,  
3830 the test results are totally inconclusive. Imagine being  
3831 faced with this decision: your genes hold the key to your  
3832 survival. Having major body altering surgery could save  
3833 your life, but the test results fail to give you any  
3834 answers. What would you do in that situation?

3835 Some people might say that I was lucky. My tests  
3836 clearly showed that I carried the BRCA 2 mutation, but there  
3837 was absolutely nothing I could do to question these results

3838 or receive a confirmatory test. In fact, I asked, what is  
3839 the reliability of this test? And I was told it is 100  
3840 percent. And I said, well, is there any place I can get a  
3841 second opinion? And I was told, no, because there is only  
3842 one company that is licensed to offer the test.

3843 So, I had to make the life altering decision to have  
3844 seven major surgeries, a double mastectomy, and an  
3845 oophorectomy, which removed my ovaries, from a single  
3846 administration of a single test.

3847 Unfortunately, many women have to face this decision  
3848 with even less reliable information than I had. No one  
3849 should ever have to go through this experience without the  
3850 comfort and the confidence of a second opinion. And that is  
3851 why I have introduced this amendment today.

3852 It simply states that when someone is concerned with  
3853 the results of a genetic test that could indicate a serious  
3854 disease, they can seek out a second opinion through an  
3855 independent genetic diagnostic test.

3856 In the past several decades, we have witnessed  
3857 remarkable progress in the field of human genetics, which  
3858 has successfully identified the genetic bases of more than  
3859 2,200 diseases. These genes are linked to breast cancer,

3860 colon cancer, Parkinson's disease, Alzheimer's disease,  
3861 stroke, coronary artery disease, and many others. This  
3862 progress is fueled by innovation and the hard work of many  
3863 brilliant minds.

3864         Tests are now available for a majority of these  
3865 genetic disorders, but in approximately 20 percent of all  
3866 cases, only one laboratory can perform the tests due to  
3867 patent exclusivity for the diagnostic testing, and often the  
3868 actual human gene itself being tested.

3869         Genetic disorders that fall into this patent  
3870 exclusivity area include breast cancer, long QT, and certain  
3871 neurological diseases, such as muscular dystrophy.

3872         The availability of a second testing procedure in  
3873 these areas would have several benefits, the most important  
3874 of which is that it would allow people making life-changing  
3875 medical decisions based on these genetic tests to seek out a  
3876 second opinion. By allowing clinical laboratories to  
3877 confirm the presence or absence of a gene mutation found in  
3878 a diagnostic test, we can help Americans access the second  
3879 opinions that they truly deserve.

3880         Too often, existing tests can be inadequate because  
3881 mutations of unknown significance are found in the gene

3882 sequences, as if often the case for BRCA 1 and BRCA 2 genes.  
3883 Competition, even in the narrow scope of allowing for a  
3884 second opinion test, could reduce the unknowns and improve  
3885 diagnoses and treatments.

3886         But my primary purpose behind this amendment is to  
3887 make sure that you do not have to make a life-altering  
3888 decision or a life-saving decision based on the results of  
3889 one test. Though it is essential that we promote innovation  
3890 and reward the researchers who have sacrificed time and  
3891 resources to produce new tests, we cannot let that  
3892 protection harm the wellbeing of thousands of American  
3893 lives.

3894         My amendment, Mr. Chairman, would honor the  
3895 exclusivity of a patent holder or its licensee to market  
3896 genetic diagnostic testing of first impression. However, it  
3897 allows for a patient to seek an independent second opinion  
3898 genetic test to confirm results, get better clarity of the  
3899 results, or simply provide the peace of mind that we often  
3900 seek when faced with serious medical decisions.

3901         Mr. Chairman, I plan to -- gosh, I'm sorry.

3902         Mr. Chairman, I plan to withdraw this amendment from  
3903 consideration today. But I sincerely hope that we can work

3904 together to strike the right balance between medical  
3905 innovation and consumer protection because I know first-hand  
3906 the stress of wanting a second opinion, but being unable to  
3907 get it.

3908         With so much at stake, it is incredibly important that  
3909 we give everyone in this situation as much certainty as we  
3910 possibly can. We owe that much to those whose lives are in  
3911 the balance.

3912         Thank you. I yield back the balance of my time, and I  
3913 withdraw the amendment.

3914         Chairman Smith. Thank you, Ms. Wasserman Schultz. I  
3915 am going to recognize myself to comment very briefly.

3916         And that is simply to say this is probably the best  
3917 intentioned amendment this committee has considered in a  
3918 long time. And there is no one better to offer this  
3919 amendment than the gentlewoman from Florida.

3920         We will continue to tweak the language and hope to be  
3921 ready to go when this bill gets to the House floor. I thank  
3922 the gentlewoman from Florida for her many contributions to  
3923 this process.

3924         Mr. Conyers. Mr. Chairman.

3925         Chairman Smith. And the gentleman from Michigan, Mr.

3926 Conyers, is recognized?

3927           Mr. Conyers. If I might observe, Mr. Chairman, I was  
3928 perfectly prepared to support the amendment, but I wanted to  
3929 commend on a personal level this very effective member of  
3930 the committee in two respects: one, the courage that she  
3931 showed when she was faced with the decision that she had to  
3932 make about it, but even more so, for the courage she has  
3933 shown in coming forward with this most personal story about  
3934 the subject matter that brings us here today. We salute  
3935 you, the committee and everyone here. Thank you very much.

3936           Ms. Jackson Lee. Mr. Chairman.

3937           Chairman Smith. The gentlewoman from Texas, Ms.  
3938 Jackson Lee, is recognized?

3939           Ms. Jackson Lee. Interestingly enough, we are being  
3940 visited on the campus, Congresswoman Wasserman Schultz, as  
3941 you well know, with a number of women wearing pink today.  
3942 And, I, too, want to -- this is one that one could have  
3943 disagreement with, but would support. And I do not say that  
3944 I am disagreeing with it, but obviously the issue dealing  
3945 with genetics, I think it is a thoughtful way of dealing  
3946 with diseases that come and no one is aware of, meaning  
3947 that, we are discovering them on a regular basis as your

3948 gene was discovered.

3949           And so, let me associate myself with Mr. Conyers and,  
3950 I believe, Mr. Smith on the rightness of this amendment at  
3951 least, but also both your bravery and your speaking for  
3952 women who cannot sit at this table today. And I hope that  
3953 the commitment to work with you, I will prepared to vote on  
3954 this on a manager's amendment on the floor of the House or  
3955 elsewhere to be able to make good on your story and also the  
3956 work you are doing for women who cannot speak for  
3957 themselves.

3958           With that, I will let me yield back.

3959           Chairman Smith. Thank you, Ms. Jackson Lee. Without  
3960 objection, the amendment is withdrawn.

3961           Mr. Conyers. Mr. Chairman.

3962           Chairman Smith. The gentleman from Michigan, Mr.  
3963 Conyers, is recognized to offer an amendment?

3964           Mr. Conyers. Mr. Chairman, I call up amendment 140  
3965 amending Section 18, transitional program for covered  
3966 business method patent.

3967           Chairman Smith. The clerk will report the amendment.

3968           Mr. Conyers. And I thank the gentlelady from  
3969 California, Ms. Chu, for allowing me to go in front of her.

3970           It is already at the desk.

3971           Chairman Smith. The clerk will report.

3972           Ms. Kish. "Amendment to H.R. 1249, offered by Mr.

3973 Conyers. At the end of the bill add the following:

3974 Clarification of applicability of transitional program for

3975 covered business method patents."

3976           Chairman Smith. Without objection, the amendment will

3977 be considered as read.

3978           [The information follows:]

3979

3980 Chairman Smith. The gentleman is recognized to  
3981 explain the amendment?

3982 Mr. Conyers. Thank you, Chairman Smith.

3983 Notwithstanding the tremendous efforts of Howard  
3984 Berman and others in terms of meeting with a number of  
3985 members to fashion some midpoint, and we still keep hope  
3986 alive that we may be able to work something out. But I now  
3987 offer this amendment seeking the support of the majority of  
3988 members who are on this committee.

3989 My amendment would amend the business method post-  
3990 grant review provision by limiting the application to  
3991 patents that have not already undergone prior reexamination.

3992 Moreover, this is a cost effective measure because it  
3993 eliminates duplicated efforts at the Patent Office. We know  
3994 how much it costs every time a patent is reviewed. And  
3995 there is no policy justification for the Patent Office to be  
3996 reexamining patents that have been examined once before and  
3997 confirmed as valid.

3998 So, I would urge the members of this committee to  
3999 realize the time has come to deal with this, and I urge your  
4000 support for the amendment.

4001 And I return the balance of my time.

4002 Chairman Smith. Thank you, Mr. Conyers. And I  
4003 recognize myself in opposition to the amendment.

4004 This amendment carves out certain low-quality business  
4005 method patents. Such a restriction defeats the purpose of  
4006 the program and should be seen for what it is, an effort to  
4007 wall off patents from review against the best available  
4008 prior art, the prior art most likely to invalidate a  
4009 business method patent.

4010 Business method patents have not been examined against  
4011 the best prior art during the original granting process.  
4012 Examiners do not usually generally search for prior use or  
4013 sale prior art because they do not have a robust library  
4014 like they do for other patents or printed publications.

4015 Second, the particular types of business method  
4016 patents that are the focus of this transitional program were  
4017 never examined against such prior art in reexamination  
4018 because prior use and sale prior art is currently barred  
4019 from admissibility by the PTO and reexamination. Even the  
4020 PTO has encouraged Congress to create this proceeding.

4021 Further, no other area of patent law, either newly  
4022 created by this bill or in the existing code, restricts  
4023 access to examination proceedings.

4024           Every time a patentee files a lawsuit, they also run  
4025 the risk that a court will deem a defendant's prior art as  
4026 invalidating a claim or patent. Similarly, each time a  
4027 patent is reviewed by the PTO, the patent owner runs the  
4028 risk the PTO will deem prior art as invalidating.

4029           By passing this amendment, we are giving a particular  
4030 patent immunity from review. This could even start a new  
4031 trend. What would prevent a patentee from seeking their own  
4032 ex parte re-exam in which they control the entire process  
4033 and Teflon coat their own patents?

4034           This amendment may in fact create a rush to the  
4035 courthouse and even have the result of overwhelming the PTO.  
4036 It creates a powerful incentive for patent trolls to file  
4037 suit or take their own patents through ex parte re-  
4038 examination to inoculate themselves against having their  
4039 patents examined against the best prior art.

4040           The patent right is a dynamic one. The meaning of the  
4041 patent may turn on reexamination or in litigation. Strong  
4042 patents are only strengthened through effective  
4043 reexamination.

4044           For these reasons, I oppose the ranking member's  
4045 amendment.

4046           Are there other members who wish to be heard on this  
4047 amendment?

4048           Mr. Berman. Mr. Chairman?

4049           Chairman Smith. The gentleman from California, Mr.  
4050 Berman, is recognized, and then we will go to the gentleman  
4051 from Wisconsin?

4052           Mr. Berman. Thank you, Mr. Chairman. Move to strike  
4053 the last word.

4054           Chairman Smith. The gentleman is recognized for five  
4055 minutes?

4056           Mr. Berman. To me, the right answer to this issue,  
4057 the real right answer, is to have a more robust inter  
4058 partes' re-exam. But we are where we are, and the right  
4059 answer to deal with this business method patent issue is not  
4060 to allow parties, who have lost judgments in the district  
4061 court and made licensing agreements based on that and other  
4062 settlements, to be able to get another bite at the apple,  
4063 but that parties for whom no claim has yet been asserted of  
4064 infringement. If they in fact have a substantial new  
4065 question of patentability, should be allowed to raise it.  
4066 The amendment goes further than I would like, but unless  
4067 that amendment passes, my fear is we will never change a

4068 situation which allows the very same parties who litigated  
4069 these patents and lost to have that, in some cases, third or  
4070 even fourth bite at the apple. And so, I continue to  
4071 tepidly support the Conyers amendment.

4072 Mr. Conyers. Would the chairman yield, please?

4073 Chairman Smith. The chairman or --

4074 Mr. Conyers. The chairman emeritus.

4075 [Laughter.]

4076 Mr. Berman. I am happy to yield.

4077 Mr. Conyers. If this amendment succeeded, could we  
4078 not we continue the discussion of the modification that you  
4079 seek as this bill moves forward?

4080 Mr. Berman. It is because I believe that is the case  
4081 that I am going to vote for this amendment.

4082 Mr. Conyers. Thank you.

4083 Mr. Berman. Because, to me, this amendment succeeding  
4084 is the best way to reach that ground that I think is  
4085 appropriate.

4086 Mr. Sensenbrenner. Mr. Chairman?

4087 Chairman Smith. Thank you, Mr. Berman.

4088 The gentleman from Wisconsin, Mr. Sensenbrenner?

4089 Mr. Sensenbrenner. Thank you.

4090 I rise in support of the amendment. Mr. Chairman, I  
4091 believe that this amendment is the only fair thing that we  
4092 have on the table to deal with this issue. As has been said  
4093 by the gentleman from Michigan and the gentleman from  
4094 California, and before lunch by the other gentleman from  
4095 California, is that this basically reopens something that  
4096 has been settled. And I have no problem having a different  
4097 standard apply prospectively, but to apply it retroactively  
4098 means that someone who has won their case in the PTO and the  
4099 PTO decided on re-review, that the patent was a valid  
4100 patent, we should not legislatively overturn that decision  
4101 or overturn that decision or the decision of a district  
4102 court.

4103 When I was the chairman, I scrupulously avoided  
4104 turning over judicial decisions based upon statutory grounds  
4105 until the process was ended. We reviewed a few of those,  
4106 and then we decided what the thing was to do.

4107 The fair thing to do on this one is not to reopen this  
4108 path statutorily, but instead to have a new standard. And I  
4109 would hope that this amendment would be adopted.

4110 Chairman Smith. Thank you, Mr. Sensenbrenner.

4111 The gentleman from North Carolina, Mr. Watt?

4112           Mr. Watt. Thank you, Mr. Chairman. I have listened  
4113 to the arguments on this, and have been involved in trying  
4114 to work this out in a way. I think I am, in some respects,  
4115 where Mr. Berman is in the sense that I think we ought to be  
4116 having a more robust review process, not only for business  
4117 patents, but for other patents also.

4118           But I am also where Mr. Berman is in concluding that  
4119 Mr. Conyers' amendment is too broad, and would really be  
4120 unfair and even upset potentially court cases that have  
4121 already been decided and agreements that have already been  
4122 entered into.

4123           I differ with Mr. Berman, however, that passing the  
4124 amendment is more likely to get us to the result that we  
4125 will find a satisfactory resolution to this, because I think  
4126 it will probably cause some people to start lobbying heavily  
4127 against the bill, and may, in fact, result in a number of  
4128 senators, who have an interest in this, walking away from  
4129 the discussions rather than walking toward them.

4130           So, while I am substantively where Mr. Berman is, I  
4131 think my vote will be the opposite of where Mr. Berman is.  
4132 I think we have gotten to a provision that a number of  
4133 people have agreed to. And while I do not think either the

4134 bill itself or Mr. Conyers' amendment is the right place for  
4135 everybody to land, I do want to incentivize people to stay  
4136 at the table and continue to work on this issue, and get to  
4137 a resolution. And I, unlike Mr. Berman, believe that being  
4138 on the opposite of the position will incentivize that.

4139         And the last thing that I hope this does is show  
4140 everybody involved how difficult it has been to try to  
4141 balance these issues and try to find resolutions that will  
4142 allow all the parties to move forward. That has, as I have  
4143 indicated at prior hearings, been my most important  
4144 motivation in this whole process, keeping this process  
4145 moving forward, because I think we need this bill, rather  
4146 than getting so bogged down on particular issue that we get  
4147 to a point that we cannot bring the parties together.

4148         So, I hope that this will enable that. If it does  
4149 not, I may end up on a different position on it. But right  
4150 now, I think my assessment is that the failure of the  
4151 amendment is more likely to move us to the right conclusion  
4152 than the passage of the amendment.

4153         With that, Mr. Chairman, I yield back.

4154         Chairman Smith. Thank you, Mr. Watt. Those are good  
4155 points on which to end the debate.

4156           We will now vote on the amendment. All those in favor  
4157 of the amendment, say aye.

4158           [Chorus of ayes.]

4159           Chairman Smith. All those opposed, say nay.

4160           [Chorus of nays.]

4161           Mr. Conyers. A recorded vote is the best.

4162           Chairman Smith. A recorded vote has been requested,  
4163 and the clerk will call the roll.

4164           And the clerk will call the roll.

4165           Ms. Kish. Mr. Smith?

4166           Chairman Smith. No...

4167           Ms. Kish. Mr. Smith votes no.

4168           Mr. Sensenbrenner?

4169           Mr. Sensenbrenner. Aye.

4170           Ms. Kish. Mr. Sensenbrenner votes aye.

4171           Mr. Coble?

4172           Mr. Coble. No.

4173           Ms. Kish. Mr. Coble votes no.

4174           Mr. Kish. Mr. Gallegly?

4175           Mr. Gallegly. No.

4176           Mr. Kish. Mr. Gallegly votes no.

4177           Mr. Goodlatte?

4178 [No response.]

4179 Ms. Kish. Mr. Lungren?

4180 Mr. Lungren. Lungren, yes.

4181 Ms. Kish. Mr. Lungren votes yes.

4182 Ms. Kish. Mr. Chabot?

4183 Mr. Chabot. No..

4184 Ms. Kish. Mr. Chabot votes no.

4185 Mr. Issa?

4186 [No response.]

4187 Ms. Kish. Mr. Pence?

4188 [No response.]

4189 Ms. Kish. Mr. Forbes?

4190 Mr. Forbes. No.

4191 Ms. Kish. Mr. Forbes votes no.

4192 Mr. King?

4193 Mr. King. No.

4194 Ms. Kish. Mr. King votes no.

4195 Mr. Franks?

4196 Mr. Franks. Aye.

4197 Ms. Kish. Mr. Franks votes aye.

4198 Mr. Gohmert?

4199 [No response.]

4200 Ms. Kish. Mr. Jordan?  
4201 Mr. Jordan. No.  
4202 Ms. Kish. Mr. Jordan votes.  
4203 Mr. Poe?  
4204 Mr. Poe. No.  
4205 Mr. Kish. Mr. Poe votes no.  
4206 Mr. Chaffetz?  
4207 Mr. Chaffetz. No.  
4208 Ms. Kish. Mr. Chaffetz votes no.  
4209 Mr. Griffin?  
4210 Mr. Griffin. No.  
4211 Ms. Kish. Mr. Griffin votes no.  
4212 Mr. Marino?  
4213 [No response.]  
4214 Ms. Kish. Mr. Gowdy?  
4215 Mr. Gowdy. No.  
4216 Ms. Kish. Mr. Gowdy votes no.  
4217 Mr. Ross?  
4218 Mr. Ross. No.  
4219 Ms. Kish. Mr. Ross votes no.  
4220 Ms. Adams?  
4221 Ms. Adams. No.

4222 Ms. Kish. Ms. Adams votes no.  
4223 Mr. Quayle?  
4224 Mr. Quayle. No.  
4225 Ms. Kish. Mr. Quayle votes no.  
4226 Mr. Conyers?  
4227 Mr. Conyers. Aye.  
4228 Ms. Kish. Mr. Conyers votes aye.  
4229 Mr. Berman?  
4230 Mr. Berman. Aye.  
4231 Ms. Kish. Mr. Berman votes aye.  
4232 Mr. Nadler?  
4233 Mr. Nadler. No.  
4234 Ms. Kish. Mr. Nadler votes no.  
4235 Mr. Scott?  
4236 Mr. Scott. No.  
4237 Ms. Kish. Mr. Scott votes no.  
4238 Mr. Watt?  
4239 Mr. Watt. No.  
4240 Ms. Kish. Mr. Watt votes no.  
4241 Ms. Lofgren?  
4242 Ms. Lofgren. Aye.  
4243 Ms. Kish. Ms. Lofgren votes aye.

4244 Ms. Jackson Lee?

4245 Ms. Jackson Lee. Aye.

4246 Ms. Kish. Ms. Jackson Lee votes aye.

4247 Ms. Waters?

4248 [No response.]

4249 Ms. Kish. Mr. Cohen?

4250 Mr. Cohen. Aye.

4251 Ms. Kish. Mr. Cohen votes aye.

4252 Mr. Johnson?

4253 [No response.]

4254 Ms. Kish. Mr. Pierluisi?

4255 Mr. Pierluisi. No.

4256 Ms. Kish. Mr. Pierluisi votes no.

4257 Mr. Quigley?

4258 Mr. Quigley. Aye.

4259 Ms. Kish. Mr. Quigley votes aye.

4260 Ms. Chu?

4261 Ms. Chu. Aye.

4262 Ms. Kish. Ms. Chu votes aye.

4263 Mr. Deutch?

4264 Mr. Deutch. No.

4265 Ms. Kish. Mr. Deutch votes no.

4266 Ms. Sanchez?

4267 Ms. Sanchez. Aye.

4268 Ms. Kish. Ms. Sanchez votes aye.

4269 Ms. Wasserman Schultz?

4270 [No response.]

4271 Chairman Smith. The gentleman from California?

4272 Mr. Issa. No.

4273 Ms. Kish. Mr. Issa votes no.

4274 Chairman Smith. Gentleman from Virginia?

4275 Mr. Goodlatte. No.

4276 Chairman Smith. Gentleman from Pennsylvania?

4277 Mr. Marino. No.

4278 Mr. Kish. Mr. Pence.

4279 Chairman Smith. Gentleman from Indiana?

4280 Mr. Pence. No.

4281 Chairman Smith. Gentleman from Texas?

4282 Mr. Gohmert. No.

4283 Chairman Smith. The clerk will report.

4284 Ms. Kish. Mr. Chairman, 11 members voted aye, 24

4285 members voted nay.

4286 Chairman Smith. The majority having voted no, the

4287 amendment is not agreed to.

4288           Let me ask Ms. Chu and Mr. Pierluisi, you all have  
4289 non-controversial amendments, which I would recommend our  
4290 colleagues support. Could I ask you to offer them very  
4291 quickly and put your statement in the record? Maybe we can  
4292 get to a final vote. Is that all right?

4293           Gentlewoman from California, Ms. Chu?

4294           Ms. Chu. Yes. I have an amendment at the desk.

4295           Chairman Smith. The clerk will report the amendment.

4296           Ms. Kish. "Amendment to"--

4297           Chairman Smith. Without objection, the amendment is  
4298 considered as read.

4299           [The information follows:]

4300

4301 Chairman Smith. The gentlewoman is recognized very  
4302 quickly to briefly describe her amendment?

4303 Ms. Chu. This amendment simply directs the Patent and  
4304 Trademark Office to work with and support intellectual  
4305 property law associations across the country, to establish  
4306 pro bono programs designed to help independent inventors.  
4307 It will make sure that independent inventors can navigate  
4308 the complicated and extremely technical patent process.

4309 Chairman Smith. Thank you. I would urge our  
4310 colleagues to support the amendment.

4311 All in favor, say aye.

4312 [Chorus of ayes.]

4313 Chairman Smith. Opposed, no?

4314 [No response.]

4315 Chairman Smith. The amendment is agreed to.

4316 The gentleman from Puerto Rico, Mr. Pierluisi, is  
4317 recognized?

4318 Mr. Pierluisi. I have an amendment at the desk.

4319 Chairman Smith. The clerk will report the amendment.

4320 Ms. Kish. "Amendment to H.R. 1249" --

4321 Chairman Smith. Without objection, the amendment is  
4322 considered as read.

4323 [The information follows:]

4324

4325 Chairman Smith. The gentleman is recognized to  
4326 explain the amendment.

4327 Mr. Pierluisi. It is not controversial, Mr. Chairman.  
4328 The amendment I am offering would make a technical fix to  
4329 Section 19(a) of the bill to ensure that this subsection  
4330 applies with equal force to Puerto Rico and the other  
4331 territories. As currently drafted, this section prohibits a  
4332 State court from having jurisdiction over any patent  
4333 lawsuit. However, the term "state" is not defined in that  
4334 subsection or in the underlying section of the law. As a  
4335 result, this provision could potentially be construed by a  
4336 court to exclude the territories from its coverage, thereby  
4337 allowing a patent suit to proceed in State court in Puerto  
4338 Rico, for example. This could lead to foreign shopping as  
4339 litigant who seeks to bring a patent case in State court  
4340 would have an incentive to sue in Puerto Rico.

4341 My amendment would ensure that this situation does not  
4342 happen and that the territories are treated identically to  
4343 the States in this respect.

4344 Chairman Smith. Would the gentleman yield?

4345 Mr. Pierluisi. I do.

4346 Chairman Smith. It is a great amendment. I urge my

4347 colleagues to support it.

4348 All in favor, say aye.

4349 [Chorus of ayes.]

4350 Chairman Smith. Opposed, no?

4351 [No response.]

4352 Mr. Smith. The amendment is agreed to.

4353 Without objection, I would like to put into the record

4354 a number of letters that we have received asking us to move

4355 the bill forward. They include letters from the Coalition

4356 for Patent Fairness, Coalition for 21st Century Patent

4357 Reform, Association of American Universities, Pharmaceutical

4358 Manufacturers Association, American Intellectual Property

4359 Lawyers Association, Biotechnology Industry Organization,

4360 the Financial Services Roundtable, American Institute of

4361 Certified Public Accountants, and letters from a number of

4362 individual corporations, including Toyota, DuPont, SAS, IBM,

4363 Eli Lilly, General Electric, and so forth. The list

4364 obviously demonstrates the broad support for this

4365 legislation.

4366 [The information follows:]

4367

4368           Also, just on a quick personal note, it has been a  
4369 long trip, but I think it has been worth the effort. This  
4370 is an historic day. Regardless of the side you are on, this  
4371 is major legislation that we are proceeding to get to the  
4372 House floor. I think it is going to help patent owners. It  
4373 is going to help U.S. companies. It is going to help small  
4374 inventors as well.

4375           A reporting quorum being present, the question is on  
4376 reporting the bill, as amended, to the House.

4377           Those in favor, say aye.

4378           [Chorus of ayes.]

4379           Chairman Smith. Opposed, no?

4380           [Chorus of nays.]

4381           Chairman Smith. The ayes have it, and the bill, as  
4382 amended, is ordered reported favorably.

4383           Without objection, the bill will be reported as a  
4384 single amendment in the nature of a substitute incorporating  
4385 amendments --

4386           Mr. Conyers. A record vote is required.

4387           Chairman Smith. And staff is authorized to make  
4388 technical and conforming changes.

4389           A record vote has been requested, and the clerk will

4390 call the roll?

4391 Ms. Kish. Mr. Smith?

4392 Chairman Smith. Aye.

4393 Ms. Kish. Mr. Smith votes aye.

4394 Mr. Sensenbrenner?

4395 Mr. Sensenbrenner. No.

4396 Ms. Kish. Mr. Sensenbrenner votes no.

4397 Mr. Coble?

4398 Mr. Coble. Aye.

4399 Ms. Kish. Mr. Coble votes aye.

4400 Mr. Gallegly?

4401 Mr. Gallegly. Aye.

4402 Mr. Kish. Mr. Gallegly votes aye.

4403 Mr. Goodlatte?

4404 Mr. Goodlatte. Aye.

4405 Ms. Kish. Mr. Goodlatte votes aye.

4406 Mr. Lungren?

4407 Mr. Lungren. Aye.

4408 Ms. Kish. Mr. Lungren votes aye.

4409 Ms. Kish. Mr. Chabot?

4410 Mr. Chabot. Yes.

4411 Ms. Kish. Mr. Chabot votes aye.

4412 Mr. Issa?

4413 Mr. Issa. Aye.

4414 Mr. Kish. Mr. Issa votes aye.

4415 Mr. Pence?

4416 Mr. Pence. Aye.

4417 Mr. Kish. Mr. Pence votes aye.

4418 Mr. Forbes?

4419 Mr. Forbes. Aye.

4420 Ms. Kish. Mr. Forbes votes aye.

4421 Mr. King?

4422 Mr. King. No.

4423 Ms. Kish. Mr. King votes no.

4424 Mr. Franks?

4425 Mr. Franks. Aye.

4426 Ms. Kish. Mr. Franks votes aye.

4427 Mr. Gohmert?

4428 Mr. Gohmert. Aye.

4429 Ms. Kish. Mr. Gohmert votes aye.

4430 Mr. Jordan?

4431 Mr. Jordan. Aye.

4432 Ms. Kish. Mr. Jordan votes aye.

4433 Mr. Poe?

4434 Mr. Poe. Aye

4435 Mr. Kish. Mr. Poe votes aye.

4436 Mr. Chaffetz?

4437 [No response.]

4438 Ms. Kish. Mr. Griffin?

4439 [No response.]

4440 Ms. Kish. Mr. Marino?

4441 Mr. Marino. Aye.

4442 Ms. Kish. Mr. Marino votes aye.

4443 Mr. Gowdy?

4444 Mr. Gowdy. Aye.

4445 Ms. Kish. Mr. Gowdy votes aye.

4446 Mr. Ross?

4447 Mr. Ross. Aye.

4448 Ms. Kish. Mr. Ross votes aye.

4449 Ms. Adams?

4450 Ms. Adams. Aye.

4451 Ms. Kish. Ms. Adams votes aye.

4452 Mr. Quayle?

4453 Mr. Quayle. Aye.

4454 Ms. Kish. Mr. Quayle votes aye.

4455 Mr. Conyers?

4456 Mr. Conyers. No.

4457 Ms. Kish. Mr. Conyers votes no.

4458 Mr. Berman?

4459 Mr. Berman. Aye.

4460 Ms. Kish. Mr. Berman votes aye.

4461 Mr. Nadler?

4462 Mr. Nadler. Aye.

4463 Ms. Kish. Mr. Nadler votes aye.

4464 Mr. Scott?

4465 Mr. Scott. Aye.

4466 Ms. Kish. Mr. Scott votes aye.

4467 Mr. Watt?

4468 Mr. Watt. Aye.

4469 Ms. Kish. Mr. Watt votes aye.

4470 Ms. Lofgren?

4471 Ms. Lofgren. Aye.

4472 Ms. Kish. Ms. Lofgren votes aye.

4473 Ms. Jackson Lee?

4474 [No response.]

4475 Ms. Kish. Ms. Waters?

4476 [No response.]

4477 Ms. Kish. Mr. Cohen?

4478 Mr. Cohen. Aye.

4479 Ms. Kish. Mr. Cohen votes aye.

4480 Mr. Johnson?

4481 [No response.]

4482 Ms. Kish. Mr. Pierluisi?

4483 Mr. Pierluisi. Aye.

4484 Ms. Kish. Mr. Pierluisi votes aye.

4485 Mr. Quigley?

4486 Mr. Quigley. Aye.

4487 Ms. Kish. Mr. Quigley votes aye.

4488 Ms. Chu?

4489 Ms. Chu. Aye.

4490 Ms. Kish. Ms. Chu votes aye.

4491 Mr. Deutch?

4492 Mr. Deutch. Aye.

4493 Ms. Kish. Mr. Deutch votes aye.

4494 Ms. Sanchez?

4495 Ms. Sanchez. Aye

4496 Ms. Kish. Ms. Sanchez votes aye.

4497 Ms. Wasserman Schultz?

4498 [No response.]

4499 Ms. Kish. Mr. Griffin?

4500 Mr. Griffin. Aye.

4501 Ms. Kish. Mr. Griffin votes aye.

4502 Chairman Smith. Are there other members who wish to  
4503 be recorded? The gentlewoman from Texas?

4504 Ms. Jackson Lee. I vote aye.

4505 Ms. Kish. Ms. Jackson Lee votes aye.

4506 Chairman Smith. The gentleman from Utah barely made  
4507 it in.

4508 Ms. Kish. Mr. Chaffetz votes aye.

4509 Chairman Smith. I am purposely waiting because I know  
4510 that members do not want to miss this vote, and there still  
4511 may be a couple who will be coming in momentarily.

4512 The clerk will report.

4513 Ms. Kish. Mr. Chairman, 32 members voted aye, 3  
4514 members voted nay.

4515 Chairman Smith. Wow. That is great.

4516 A majority having voted in favor of the bill, the bill  
4517 is approved. There being no further business before the  
4518 committee --

4519 Mr. Conyers. Mr. Chairman?

4520 Chairman Smith. The gentleman from Michigan, Mr.  
4521 Conyers?

4522 Mr. Conyers. Permit me to announce that we are losing  
4523 Dr. Chrystal Sheppard, who has been with us three and a half  
4524 years, sitting to my left. She is the only lawyer that I  
4525 know that has a Ph.D. in molecular biology. And she goes to  
4526 the University of Nebraska's law school. And we will miss  
4527 her very, very much.

4528 Chairman Smith. We wish her well.

4529 [Applause.]

4530 Chairman Smith. Good luck, my dear.

4531 Ms. Sheppard. Thank you.

4532 Chairman Smith. And that is a good conclusion. And,  
4533 in fact, we are adjourned.

4534 [Whereupon, at 4:19 p.m., the committee was  
4535 adjourned.]