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

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

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

We go in and vote but also speak to my own constituents in Iowa about what this means for my own State. If H.R. 1, the House bill which passed the House, if it were to be passed and enacted into law—well, I mentioned about how we are having the Job Corps. It would basically kill the Denison, IA, Job Corps Center, which employs 163 people. It provides training to 450 at-risk students each year, and we have a new Job Corps Center just being built, just being opened in Ottumwa. That will probably just come to a screeching halt. It is supposed to be opening later this year.

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

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

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

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

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

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

In our bill we said insurers and health insurance companies have to pay at least 80 cents of every dollar of premium toward health care rather than profits, bonuses, overhead, fancy buildings, and corporate jets and all of that. They had to pay—80 cents of every premium has to go for health care. It is done away with under H.R. 1. We can’t even do that at all.

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

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

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

I hope the Senate will recognize H.R. 1 for what it is, a detriment, a body blow to our recovery efforts. I hope the Senate will resoundingly defeat it. I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant bill clerk proceeded to call the roll.

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

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

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

PATENT REFORM ACT OF 2011—Continued

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

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

Yesterday, I commended Austan Goolsbee, the chair of the President’s Council of Economic Advisers, for his white board presentation this week on the importance of patent reform to help America win the global competition and create jobs. The creation of more than 230,000 jobs in the private sector last month, the creation of 1.5 million new jobs over the last 12 months, and the unemployment rate finally being reduced to 8.9 percent are all signs that the efforts we have made over the last 2 years to stave off the worst recession since the Great Depression are paying off and the economic recovery is taking hold. The almost full percent point drop in the unemployment rate over the last 3 months is the largest decline in unemployment since 1963. Despite interruptions of economic activity in many parts of the country caused by winter weather over the last months and in recent days, despite the extraordinary rise in oil
prices, the Dow Jones industrial average has climbed back to over 12,000 from a low point of 6,500. Passage of the America Invents Act should help bolster our economic recovery and keep us on the right path toward business investment and job creation.

As we begin this debate, I referred back to the President’s State of the Union address and his challenge to the Nation to out-innovate, out-build and out-educate our global competitors. Enacting the America Invents Act is the key to meeting this challenge. Reforming the Nation’s antiquated patent system will promote American innovation, create American jobs, and grow America’s economy. I thank the President and his administration for their help and support for the Leahy-Hatch-Grasley America Invents Act. Commerce Secretary Locke has been a strong partner in our efforts, and Director Kappos of the Patent and Trademark Office has been an indispensable source of wise counsel.

The America Invents Act will keep America in its longstanding position at the pinnacle of innovation. This bill will establish a more efficient and streamlined patent system that will improve innovator productivity and limit unnecessary and counterproductive litigation costs, while making sure no party’s access to court is denied.

The America Invents Act is the product of eight Senate hearings over the last three Congresses, this year, unanimously. Our bill is the product of years of work and compromise. The Senate Judiciary Committee has reported patent reform legislation to the Senate in each of the last three Congresses, this year, unanimously. And the House has seen efforts over the same period led by Congressmen LAMAR SMITH of Texas and HOWARD BERMAN of California. The legislation we are acting on today, in fact, is structured on the original House bill and contains many of the original provisions.

From the beginning, we recognized the need for a more effective and efficient patent system, one that improves patent quality and provides incentives for entrepreneurs to create jobs. A balanced and efficient intellectual property system that rewards invention and promotes innovation through high quality patents is crucial to our Nation’s economic prosperity and job growth. That is how we win the future—by enhancing the American inventive spirit. This bill, the America Invents Act, will allow our inventors and innovators to flourish.

It is important to our country’s continued economic recovery, and to our success fully competing in the global economy. America needs a 21st century patent system to lead. The last extensive reform of our patent system was nearly 60 years ago. It is time.

While the Congress debates spending and deficit measures in an often too partisan manner, the American people are craving—and the American economy is demanding—bipartisan legisla-

tion that can create jobs and help our economy through common sense measures. That is what this bill can do. It relies on not one dollar of taxpayer money. Let me emphasize, not a dime in taxpayer money is spent on the Patent and Trademark Office, PTO, reforms. They are all funded by patent fees, not taxes.

Innovation drives the Nation’s economy, and that entrepreneurial spirit can only be protected by a patent system that rewards risk and spawns new ideas. We need to reform our patent system so that these innovations can more quickly get to market. A modernized patent system—one that puts American entrepreneurs on the same playing field as those throughout the world—is a key to that success. This is an idea that cuts across the political spectrum.

During Senate debate over the last week our bill has been improved by a number of Senators who have contributed is the bipartisan efforts of MENENDEZ, SCHUMER, REVELS, HARKIN, and KIRK have all contributed, and I thank them for working with us. Senator CARDIN attempted to offer germane amendments, and I regret that these were blocked.

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

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

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

I also commend the hardworking Senate floor staff, Tim Mitchell and Trish Enge, and Senior Policy Adviser Schiappa, and the staffs of other Senators, including Tim Mollo, Joe Matal, and Matt Sandgren, for their dedicated efforts.

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

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

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

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

After 6 years of debate and discussion, more than a dozen hearings and markups, and countless hours of member and staff meetings with two presidential administrations and interested parties across the spectrum, the Senate is finally acting to make the first meaningful, comprehensive reforms to the nation’s patent system in nearly 60 years. The Senate debate has now extended for more than a week. Passage of the America Invents Act demonstrates what we can accomplish when we cast aside partisan rhetoric, and focus on working together for the American people and for our future.

When we cast aside partisan rhetoric, there is a perfect opportunity that will make key improvements in the patent system. Having coordinated with the leaders in the House through this process, I hope that the House will look favorably on our work and adopt this measure and send it to the President without delay and its improvements can take effect in order to encourage American innovation and promote American invention.

I urge the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant bill clerk proceeded to call the roll.

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

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

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

Further, I ask unanimous consent that the motion to proceed to H.R. 1 be withdrawn; that the President without delay and its improvement be sent to the President; that the Senate proceed to the consideration of Calendar No. 14, H.R. 1, the Defense appropriations long-term continuing resolution for fiscal year 2011; that there be 3 hours of debate on H.R. 1, and the Democratic alternative, the Inouye substitute amendment No. 149, with the time equally divided between the two leaders or their designees prior to a vote on passage of H.R. 1; that the vote on passage be subject to a 60-vote threshold; that if the bill achieves 60 affirmative votes, the bill be read a third time and passed; that if the bill does not achieve 60 affirmative votes, the majority leader be recognized to offer the Inouye substitute amendment No. 149 to a vote on the substitute amendment; that the substitute amendment be subject to a 60-vote threshold; if the substitute amendment achieves 60 affirmative votes, the substitute amendment be adopted; the bill, as amended, be read a third time and passed; if the substitute amendment does not achieve 60 affirmative votes, H.R. 1 be returned to the calendar; that no motions or amendments be in order to the substitute bill; or to the bill prior to the votes; further, that all of the above occur with no intervening action or debate.

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

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

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

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

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

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

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

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

“(d) STATE INSTITUTIONS OF HIGHER EDUCATION.—

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

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

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

The PRESIDING OFFICER. Without objection to amendment No. 143, as modified, was agreed to.

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

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

The clerk will call the roll.

The assistant bill clerk proceeded to call the roll.

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

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

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

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

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

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

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

Mr. LEAHY. Certainly. If a petition provides evidence to the PTO and the PTO determines that the patent is on a “covered business method patent,” then the PTO would institute a post-grant review of that patent. In this review, the PTO could consider any challenge that could be heard in court.

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

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

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

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

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

Business method patents are the bane of the patent world. The business method problem began in 1998 with the U.S. Court of Appeals for the Federal Circuit decision in State Street Bank & Trust Co. v. Signature Financial Group, Inc. and Bilski v. Kappos, the Court articulated a new standard for obviousness and made clear that abstract business methods are not patentable. While the legal development is important, the leave in limbo the many patents that were issued by the PTO since State Street that are not in fact valid. Litigation over invalid patents places a substantial burden on U.S. courts and the U.S. business-method inventions generally are not and have not been patentable in countries other than the United States. In order to reduce the burden placed on courts and the economy by this back-and-forth shift in judicial precedent, the Schumer-Kyl transitional proceeding authorizes a temporary administrative alternative for reviewing business method patents.

It is important to clarify two elements of the Schumer-Kyl program’s operation in particular. First, there is the issue of how a district court should treat a motion for a stay of litigation in the event the PTO initiates a pilot program. Second, there is the issue of whether the Federal courts can hear interlocutory appeals from stay decisions. Finally, there is the issue of which patents should be considered to be covered business method patents.

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

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

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

Absent some exceptional circumstance, the institution of a business-methods proceeding—which requires a high up-front showing and will be completed in a relatively short period of time—should serve as a substitute for litigation, and result in a stay of co-pending district court litigation. By adopting this four-factor test, rather than one of the three-factor tests used by other courts, the amendment also precludes the use of additional factors that are not codified here and that have occasionally been used by some district courts. For example, a few courts have occasionally employed a different de facto fourth factor: whether the challenger offers “to forgo invalidity arguments based on prior art patents and/or printed publications considered during an ex parte reexamination process.” The proceeding authorized by this amendment, at subsection (b)(1)(D), sets its own standard for determining what form over substance.

The amendment covers not only final reexamination proceedings that result in a patent surviving PTO review. By codifying the institution set of factors that courts are to consider when granting stays, the amendment precludes courts from inventing new factors such as extra-statutory estoppel tests.

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

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

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

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

On appeal the Federal Circuit can and should review the district court’s decision de novo. It is expected that the Federal Circuit will review the district court’s decision regarding a stay de novo, unless there are unique circumstances militating against a de novo review, such as subsequent requests for an interlocutory appeal in the same case. A de novo review is central to the purpose of the interlocutory appeal provision in the Schumer-Kyl amendment, which is to ensure consistent application of standards and precedents across the country and to avoid one particular court with a favorable bench becoming the preferred venue of business method patent plaintiffs.

The definition of covered business method patents in the transitional program was developed in close consultation with the PTO to capture all of the worst offenders in the field of business method patents, including those that are creatively drafted to appear to be true innovations when in fact they are not.

The amendment only applies to “covered business method patents.” If the PTO determines that a patent is a “covered business method patent”—and the other applicable requirements of this amendment and Chapter 32 are met—the patent will be subject to post-grant review under this amendment regardless of whether the patent has been through prior PTO proceedings, such as ex parte reexamination, or current or prior litigation.

The definition of a “covered business method patent” includes “a method or corresponding apparatus.” The phrase “method or corresponding apparatus” is intended to encompass, but not be limited to, any type of claims found in a patent, including, method claims, system claims, apparatus claims, graphical user interface claims, data structure claims—Lowry claims—and set of instructions on storage media claims—Beauregard claims. A patent is a covered business method patent regardless of the type or structure of claims contained in the patent. Clever drafting of patent applications should not allow a patent holder to avoid PTO review under this amendment.

Not all business method patents are eligible for PTO review under this amendment. Specifically, “patents for technological inventions” are out of scope. The “patents for technological inventions” exception only excludes those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical operation and the claims to state the technical features which the inventor desires to protect. It is not meant to exclude patents that use known technology to accomplish a business process or method of conducting business—whether or not that process or method appears to be novel. The technological invention exception is also not intended to exclude a patent simply because it recites technology. For example, the recitation of computer hardware, computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, specialized machines, such as an ATM or point of sale device, or other known technologies, does not make a patent a technological invention. In other words, a patent is not a technological invention because it combines known technology in a new way to perform data processing operations.

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

The amendment also requires a patent to relate to a ‘financial product or service.’ To meet this requirement, the patent need not recite a specific financial product or service. Rather the patent claims must only be broad enough to cover the technological subject matter and those of ordinary skill in the art would understand the patent to cover a ‘financial product or service.’ According to that definition, if a patent claims a general online marketing method but does not specifically mention the marketing of a financial product, such as a savings account, if that marketing method could be applied to marketing a financial product or service, the patent would be deemed to cover a ‘financial product or service.’ Likewise, if a patent holder alleges that a financial product or service infringes its patent, that patent shall be deemed to cover a ‘financial product or service’ for purposes of this amendment regardless of whether the asserted claims specifically reference the type of product or service accused of infringing.

In conclusion, I am very pleased that the Senate has adopted the Schumers-Kyl provision and trust that it will go a long way towards addressing the havoc that frivolous business method patent litigation has wreaked upon the courts and the economy. Indeed, Senator Kyl and I received a letter of thanks and appreciation from the Independent Community Bankers of America, who represent nearly 5,000 community banks in the United States. In fact, they point out that they are required to spend defending litigation from business method patent trolls—and the capital they must reserve against these contingent liabilities—is money which ‘cannot find its way into the hands of worthy borrowers, retarding economic growth and job creation at the time such activity is most needed.’

‘To that end, I would ask unanimous consent that the letter from the Independent Community Bankers of America be printed in the Record.

There being no objection, the material was ordered to be printed in the Record, as follows:

INDEPENDENT COMMUNITY BANKERS OF AMERICA,

Hon. Charles C. Schumer,
U.S. Senator,
Washington, DC.

Hon. Jon Kyl,
U.S. Senator,
Washington, DC.

Dear Senators Schumer and Kyl: On behalf of the Independent Community Bankers of America (ICBA) and the nearly 5,000 community banks that we represent, we thank you for your efforts to improve S. 23 The Patent Reform Act of 2011 through your amendment to establish a program for the review of patent applications pending at the United States Patent and Trademark Office (PTO) where business-method patents can be examined using the best available prior art and where fundamentally become the preferred method of extracting large settlements from community banks and these practices threaten our bankers’ ability to provide banking services related services to their local communities and to local small businesses.

Under the current system, business-method patents or claims covering such uses of force community banks to pay meaningless settlements to entities that may have patents assigned to them, but who have invented nothing, offer no product or service and employ no one. Indeed, all public companies are required by accounting rules to reserve capital against contingent liabilities. For community banks, this is money which cannot find its way into the hands of worthy borrowers, retarding economic growth and job creation at the precise time such activity is most needed. The Schumers-Kyl amendment is critical to stopping this economic harm.

We appreciate that you have worked hard with the Patent and Trademark Office and other stakeholders to refine the amendment and make compromises to enable the amendment to move forward. We support those efforts and will continue to push to ensure that business-method patents cannot be used as a weapon by those who seek to game the patent granting and litigation system at the expense of legitimate businesses.

We are pleased to learn that the Senate has adopted much of the Schumers-Kyl amendment in S. 23. We encourage the Senate to continue strengthening this provision, where possible, for the good of our nation’s community banks and the countless neighborhoods and communities that they serve.

Thank you again.

Sincerely,

STEPHENV J. VERDIER,
Executive Vice President,
Congressional Relations.

Mr. KYL. Mr. President, I ask unanimous consent that the material concerning the America Invents Act that was distributed by the Republican Policy Committee last week. These consists of a legislative notice describing the bill that was brought to the Senate floor, and a summary of the Senate managers’ amendment that was adopted on Tuesday.

There being no objection, the material was ordered to be printed in the Record, as follows:

S. 23—The Patent Reform Act of 2011 Calendar #6
Reported by the Judiciary Committee with amendments on February 3, 2011 by a vote of 15-0. No written report.

NOTEWORTHY

At 3:30 p.m. today, the Senate will begin consideration of S. 23, the Patent Reform Act of 2011. The Act adopts a ‘First Inventor to File’ patent regime. Currently the United States is the only country in the world operating under a ‘First to Invent’ regime. The Act grants the U.S. Patent and Trademark Office (PTO) authority to set its own fees to better ensure proper funding for its operations.

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

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

BACKGROUND/OVERVIEW

Innovation is a key facet of American economic power, as our founders recognized in the Constitution by giving Congress the power to ‘promote the progress of science and useful arts’ by granting inventors time limited monopolies—patents—on their discoveries. This basic framework set the course for centuries of American innovation, but the law has not been substantially updated since the Patent Act of 1952. Responding to concerns about the quality and timeliness of patents issued by the PTO, the last several Congresses have considered substantial patent reform measures. (In the 109th Congress, Senators Leahy and Hatch introduced the Patent Reform Act of 2005 (S. 3818). The next year, Senators Leahy and Hatch introduced the Patent Reform Act of 2006 (S. 3816). This bill was reported by the Judiciary Committee, as amended, on January 24, 2008, with a Committee Report (S. Rep. 110-259), but it was not considered by the Senate. On May 17, 2007, Senators Leahy and Hatch introduced the Patent Reform Act of 2009, which was reported with amendments on April 2, 2009, with a Committee Report (S. Rep. 111-13). Again the bill was not considered by the full Senate. During this time, the Senate Judiciary Committee has held eight hearings on patent reform, and the House has held hearings on the subject as well.)

Over the course of these Congresses the substance of the reform proposals evolved. On January 25, 2011, Senator Leahy and Senator Hatch introduced the current bill, the Patent Reform Act of 2011 (S. 23), which was reported with amendments on February 3, 2011. Significant features of the legislation include: a transition to a ‘First Inventor to File’ patent regime consistent with other industrialized countries; PTO fee setting authority to ensure proper funding for its operations; and establishing a post-grant and supplemental review procedures to improve patent quality.

BILL PROVISIONS

Section 1. Title/Title of Contents

The United States, alone among advanced economies, currently operates under a ‘First to Invent’ rather than a ‘First Inventor to File’ patent regime in which the date of filing with the patent office is the important determinant of who is the legitimate patent holder. Defenders of the First to Invent regime claim that it has served America well, that it favors innovation by allowing them to focus on inventing rather than paperwork, and that it avoids overburdening the PTO with prematurely filed applications.

However, the system poses challenges for American inventors who must operate under one regime domestically and another if they wish to profit from their innovation abroad. The First to Invent system also results in less certainty about the validity of patents and often leads to expensive and lengthy litigation with competing organizations, including the National Academy of Sciences, have urged the United States to
adopt a First Inventor to File system. S. 23 moves the United States to a First Inventor to File regime. As part of that, it creates an administrative proceeding to ensure that the first to file will actually be the true inventor. It also preserves and strengthens current law’s grace period, by providing that disclosures made by the true inventor, or someone who gained knowledge from the inventor, less than one year before the application is filed will not be held against their application.

Additionally, during the one-year period before the application is filed, if the inventor publicly discloses his invention, no subsequently-disclosed “prior art,” regardless of whether from the inventor, can be used to invalidate the patent. Prior art is a term of art in intellectual property law. S. 23 defines “prior art” as actions by the patent owner or another (such as publication, public use, or sale) that make the invention available to the public. This effectively creates a “first to publish” rule within the one year grace period. An inventor who publishes his invention retains an absolute right to priority if he files an application within one year of his disclosure. No application effectively discloses prior art or patent pending, and any prior art disclosed after his disclosure, can defeat his patent application.

Section 3. Inventor’s Oath or Declaration

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

Section 4. Damages

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

Section 5. Post-Grant Review

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

Section 6. Patent Trial and Appeal Board

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

Section 7. Pre-Issuance Submissions by Third Parties

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

Section 8. Venue

Codifies the standard for transfers of venue established by the Federal Circuit in the Supreme Court case In re TCY and applies it to patent cases generally. [561 F.3d 1315 (Fed. Cir. 2009)] That standard provides for transfer to the judicial district that is “clearly more convenient.” Courts must consider the parties’ convenience and witnesses. The section also clarifies that venue for litigation against the PTO is the Eastern District of Virginia, where the PTO is headquartered rather than the District of Columbia, where it used to be based.

Section 9. Fee Setting Authority

In order to provide sufficient funding to the PTO’s operations, this section grants the PTO the ability, and sets forth procedures, to set or adjust the fees it charges applicants.

Section 10. Supplemental Examination

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

Section 11. Residency Requirement for Federal Circuit Judges

This section repeals the requirement that judges on the Federal Circuit reside within 50 miles of Washington, DC. The duty station of Federal Circuit judges, however, will remain in Washington.

Section 12. Micro-Entity Defined

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

Section 13. Funding Agreements

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

Section 14. Tax Strategies Deemed within Prior Art

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

Section 15. Best Mode Requirement

This section contains technical amendments to reorganize the patent statute.

Section 17. Clarification of Jurisdiction

This section clarifies exclusive federal jurisdiction over patent claims.

Section 18. Effective Date

Except where otherwise provided by specific provisions in the Act, the effective date of Act is 12 months after enactment, meaning it would apply to all patents issued on or after that date.

ADMINISTRATION POSITION

As of the publication of this Notice, no Statement of Administration Policy (SAP) has been issued.

POSSIBLE AMENDMENTS

At this time, there is no unanimous consent agreement with respect to consideration of S. 23 or limiting the submission of amendments.

SUMMARY OF THE MANAGERS’ AMENDMENT

The title is changed to the “America Invents Act”.

The date of the repeal of statutory invention registrations, which are used only in first-to-invent, is changed to conform to the date of the switch to first to file.

All remaining damages language—gates, knockdowns, and recodification of current law as subsection (a)—is struck. The bill now makes no changes to section 284.

In PGR, the subsection imposing a six-month deadline on filing after litigation is commenced is replaced with the “shoot first” provision requiring a court to consider a PI request without taking a PGR petition into account if the patent owner sues within 3 months of the issuance of patent. The six-month deadline did not work well here—PGR can only be requested within 9 months of patent issuance anyway, and no suit can be brought until the patent issues. Also, a much broader range of issues can be raised in PGR than in IPR, justifying more time for filing.

PGR is limited to only FTF patents—no FT patents can be challenged in PGR. This is because PGR requires a discovery-intensive invention-date-and-secret-prior-art issues that would be difficult to address in an administrative proceeding. This also effectively preserves IPR as the priority ramp up for PGR. In light of this change, the time for implementing PGR is moved back to 1 year after enactment, so that it is done at the same time as new IPR is implemented, which is PTO’s preference.

During the first four years after new IPR is implemented, the Director has discretion to continue to use old inter partes reexam.

This is done because the Director believes his reforms of the CRU have greatly improved old inter partes, and it may actually work more efficiently than new IPR during the ramp up. Old inter partes can also be used for PGR proceedings that are instituted only on the basis of patents and printed publications, which are the only issues that can be raised in old inter partes (as well as new IPR).

The codification of the TS Tech transfer-of-venue rule is struck. TS Tech already applies as a matter of caselaw in the Fifth Circuit. (The Federal Circuit applies regional circuit law to procedural matters, and reads Fifth Circuit law as applying the transfer of venue rule.) Comparisons about venue generally focus on EDTX, so there is little need to apply TS Tech nationally, and it seemed odd for Congress to regulate such matters in any event.

A blue-slip fix to the Director’s fee setting authority. The revised language identifies
with great specificity the sources of authority to impose patent and trademark user fees, in order to avoid a violation of the Origination Clause.

A new provision requiring the Director to charge reduced fees to small entities for use of accelerated examination.

Language is added making clear that the repeal of the Baldwin rule (which rule requires Federal Circuit judges to live within 50 miles of Washington, D.C.) shall not be construed to require the AOC to provide judges office space or staff outside of D.C.

A PTO-approved broadening of the definition of "microentity," a status that entities applying for reduced fees.

In the tax patents section, language is added: (1) clarifying that the language does not apply if the tax software is novel as software—i.e., where the innovation is in the software (this may be dropped); and (2) establishing that making tax strategies unpatentable shall not be construed to imply that other business methods are patentable or valid. In Bilski v. Kappos, (2010), the Supreme Court interpreted Congress's 1999 enactment of a prior-user right that only applied against business-method patents as implying that business methods qualify as patentable subject matter under section 101, which includes §102.

Language is added to the part of the Holmes Group fix allowing removal of patent cases from state to federal court to clarify that a state court of general jurisdiction is not required in such cases. Derivative jurisdiction is the doctrine that, even if a federal district court would have had original jurisdiction over an action, it may retain the case if the district court can only have jurisdiction if the state court from which the action is removed properly had jurisdiction. (In other words, the federal court's removal jurisdiction is not dependent on the state court's jurisdiction.) This silly form-over-substance doctrine was abrogated by Congress, but some courts have continued to read it into other parts of the law, and thus it was thought best to also make clear here that derivative jurisdiction is not required.

The Schumer-Kyi business-methods proceeding, as modified to accommodate industry concerns and PTO needs. In its 1998 State Street decision, the Federal Circuit greatly broadened the patenting of business methods. Recent court decisions, culminating in last year's Supreme Court decision in Bilski v. Kappos, pulled back the patenting of business methods, emphasizing that these "inventions" are too abstract to be patentable. In the intervening years, however, we have issued a large number of business-method patents, many or possibly all of which are no longer valid. The Schumer proceeding offers a relatively cheap alternative to civil litigation for challenging these patents, and will redress the burden on the courts of dealing with the backwash of invalid business-method patents. The proceeding is simplified since many cases now indicate that: (1) only defendants or accused infringers may invoke the proceeding; (2) prior art is limited to old 102a, which must be publicly available; (3) patentable subject matter shall be presumed to be old 102a (invention-date limits but that falls outside the old 102(b) grace period (i.e., effectively, old 102b)); and (4) the proceedings are handled by the AOC to provide a publicly-available prior-art scope; (5) the proceeding may not be used to challenge a patent while it is eligible for a PGR challenge (i.e., an FTF patent during the first 9 months after its issue); (6) the proceeding is available only for four years; (7) district courts decide whether to stay litigation based on the PTO's results for Broadcast Communications, and the Federal Circuit reviews stay decision on interlocutory appeal to ensure consistent application of established precedent; (5) the definition of business-method patent, which tracks the language of Class 705, is limited to data processing relating to just a product or service (rather than also to an enterprise). PTO is given greater flexibility in paying and compensating the travel of APJs. A new provision that an APJ will need to be recruited, trained, and retained to adjudicate FRG and new IPR. This change's enhancements will be paid for out of existing funds. (6) The Copyright Office will end to fee determination. Currently, PTO fees go into a Treasury account and are only available to the Office as provided in appropriations. In the last two decades, about $800 million in user fees has been diverted from PTO to other federal spending. The Coburn amendment creates a revolving fund, giving PTO direct access to its fees without the need for enactment of an appropriations act.

Budget Committee paygo language is added at the end.

Mr. KOHL. Mr. President, I rise today in support of S. 23, the America Invents Act. This bipartisan bill is the product of a great deal of hard work and negotiation, and I congratulate Senators LEAHY, HATCH and GRASSLEY on their accomplishment. This bill is a reasonable compromise that will update the Patent system so that American businesses can better compete in the 21st Century.

The American system of patenting inventions has helped make our country the center of innovation for more than two centuries. The America Invents Act will ensure that inventors and those who invest in their discoveries are able to rely on their most important asset—their patent. Patents are vital components in the research and development cycle that help create small businesses and jobs.

In my home State of Wisconsin, we have a strong tradition of invention and innovation—from the invention of the first practical typewriter in 1869 to the discovery in 1925 to the discovery of a cure for Rickets disease, to the University of Wisconsin and its patent licensing business. The bill incorporates additional changes that were important to research universities, including provisions related to venue, explicit statutory authorization of estoppel, and explicit statutory author-
refuse to license that patent to their competitors in order to prevent them from lowering their operating costs. Tax patents could be used to hinder productivity and competition rather than foster it.

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

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

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

Mr. GRASSLEY. Mr. President, I want to discuss an important component of the patent reform legislation that might otherwise spur frivolous and vexatious litigation arising from qui tam suits for false patent markings. The bill before the Senate abolishes this qui tam procedure and I would like to discuss why I support doing so, even though I am a strong proponent of using the qui tam mechanism to protect American taxpayers.

The qui tam provisions of the False Claims Act specifically allow the government to intervene and control litigation that might otherwise harm taxpayers through false or fraudulent billing. The qui tam provisions of the patent law do not.

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

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

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

The False Claims Act is the Federal Government’s strongest weapon to protect the taxpayer dollars from fraud and abuse. It would be a serious misstatement of earlier versions of the bill or an attempt to characterize my support for the removal of the patent qui tam as a starting point for striking or reforming the False Claims Act qui tam provision.

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

Mr. KYL. Mr. President, I rise today to make a few comments about the present bill, which has now been retitled the “America Invents Act.” This bill is almost identical to the managers’ amendment that was negotiated by Chairman LEAHY and then-Ranking Member Sessions during the last Congress and announced in March 2010. I cosponsored and strongly supported that managers’ amendment, which substantially addressed all of the concerns that Senators Feingold, COBURN, and I raised in our Minority Report to the 2009 committee report for the bill, Senate Report 111-18, at pages 53 through 61. As the bill was renegotiated in the fall of 2009 and early 2010, improvements and corrections were made throughout the bill, and a number of new provisions were added. I would like to take a moment to comment on some of those changes and additions.

In section 2(a) of the bill, the definition of “effective filing date” in section 100(i) has been modified in several ways. In subparagraph (A), the word “actual” is added before “filing date.” When the word “filing date” is used in current law, it is sometimes used to mean the actual filing date and sometimes used to mean the effective filing date. Since section 100 is a definitional section, it should be clear in its language, and thus the “actual” is added in order to avoid a lingering ambiguity.

The new language makes it clear that the definition of effective-filing date does not create new rules for entitlement to priority. Rather, the definition simply incorporates the rules created by existing code sections. Also, since the rules already create an enabling disclosure, there is no need to separately require such disclosure in this definition, and thus the reference to the end of subparagraph (B) to the first paragraph of section 112 that appears in earlier versions of the bill is dropped. Keeping that citation would have created a negative implication that unless such a requirement of section 120 was expressly incorporated into the definition of effective-filing date, then such requirement need not be satisfied in order to secure the benefit of an earlier effective-filing date. It should be noted that, for purposes of subparagraph (A) of section 100(i)(2), a patent or application for patent contains a claim to an invention even if the claim to the particular invention was added via an amendment after the application was filed. Of course, such an amendment may not introduce new matter into the application—it may only claim that which was disclosed in the application.

Finally, new section 100(i)(2) of title 35 governs the effective date of reissued patents. Consistent with section 251, this new paragraph effectively treats the reissue as an amendment to the patent, which is itself treated as if it were a still-pending application. It bears emphasis that the first paragraph of section 251, which is designated as subsection (a) by this bill, bars the introduction of new matter into an application for reissue. Moreover, paragraph (3) of section 251, now designated as section 251(c), makes the rules governing applications generally applicable to reissues. A reissue is treated as an amendment to the patent, and the last sentence of section 132(a) bars the introduction of new matter in an amendment. See In re Rasmussen, 650 F.2d 1212, 1214-15, CCPA 1981. Thus a claim that relies for its support on new matter introduced in a reissue is invalid.

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

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

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

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

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

Another change that this bill makes to chapter 10 is that the CREATE Act, formerly at section 103(c) of title 35, has been moved to section 102(c). The present bill departs from earlier versions of the bill by giving the CREATE Act own subsection and making several clarifying and technical changes. In particular, the citation at the end of the chapeau is made more specific, and the paragraph (1) words “was developed” added because subject matter is not always “made,” but is always “developed.” Also in the same paragraph, the reference to “parties” is replaced with “1 or more parties,” so that not all joint parties to the joint research agreement need have participated in developing the prior art or making the invention. Finally, as noted previously, the definition of “joint research agreement” is moved to section 100, which contains other definitions relevant to CREATE. As section 2(b)(2) of this bill notes, these changes are made with the same “intent” to promote joint-research activities that animated the CREATE Act. None of the changes in this legislation alter the meaning of the original law.

The present bill’s new subsection 102(d) of title 35 makes several changes to earlier bills’ version of this provision. Specifically, the chapeau of this new subsection defines the effective date of patents and applications cited as prior art, is modified in the first clause by expressly stating the purpose of this subsection, and by otherwise clarifying the language employed. In paragraph (1), a comma is added at the outset to make clear that the paragraph applies only if paragraph (2) does not apply. Paragraph (2) is unmodified save for the nonsubstantive addition of a comma.

Though the language of section 102(d)(2) remains unchanged from earlier versions of the bill, that language deserves some comment. Paragraph (2) is intended to overrule what remains of In re Wertheim, 646 F.2d 527 (CCPA 1981), which states that only an application that could have become a patent on the day that it was filed can constitute prior art against another application or patent. See id. at 537, noting that:

If, for example, the PTO wishes to utilize against an applicant a part of that patent disclosure found in an application filed earlier than the date of the application which became the patent, it must demonstrate that the earlier-filed application contains sections 120/112 support for the invention claimed in the reference patent. For if a patent could not theoretically have issued on the day the application was filed, it is not entitled to be used against another as ‘secret prior art,’ the rationale of Milburn being inapplicable.

In re Wertheim, however, was already almost completely overruled by the American Inventors Protection Act of 1999, Public Law 106–113, which, by requiring that the earlier-filed application contains sections 120/112 support for the invention claimed in the reference patent. For if a patent could not theoretically have issued on the day the application was filed, it is not entitled to be used against another as ‘secret prior art,’ the rationale of Milburn being inapplicable.

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A prior-art parent application, however, must be cophendent, have some continuity of disclosure, and be specifically referred to in the patent or published application. The continuous disclosure must be a description of the subject matter in the intervening applications. The Office can rely on unreferenced application’s fuller description as prior art.

The language of paragraph (2) is somewhat indirect in its imposition of these requirements. They are mostly incorporated through the paragraph’s mandate that the prior-art application be “entitled to claim * * * priority or benefit” under section 120 et al. in section 100(i), which defines the effective-filing date of the patent under review, the patent must be entitled to the priority or benefit itself under relevant sections. Here again in section 102(d), however, the application need only be entitled to claim the benefit or priority under those sections. This difference in language, which offers an excellent example of why people hate lawyers, distinguishes between the requirement of section 120 et al.—that the application include an enabling disclosure—and the ministerial requirements of that section—that the application be cophendent and specifically referenced. In an application that meets the ministerial requirements of copendency and specific reference is entitled to claim the benefit or priority, but only an application that also offers an enabling disclosure is actually entitled to the benefit or priority itself. The language of paragraph (2) also expressly requires that the earliest application “describe” the subject matter, and the Office has traditionally required that this disclosure be complete and be adequately discussed above.

Paragraph (2) can be criticized as codifying current BPAI common law and examination practice without fully describing that practice. However, a fully descriptive codification of the principles codified therein would be unduly long, requiring repetition of the already somewhat inelegant language of section 120.

Another aspect of the bill’s changes to current section 102 also merits special consideration. Section 102(a)(1) makes two important changes to the definition of non-patent prior art. First, it lifts current law’s geographic limits on what uses, knowledge, or sales constitute prior art. And second, it limits all non-patient prior art to that which is available to the public. That latter change is clearly identified in Senate Report 110-259, the report for S. 1145, the predecessor to this bill in the 110th Congress. The words “otherwise traffic in” were added to section 102(a)(1) during that Congress’s Judiciary Committee mark-up of the bill. The word “otherwise” makes clear that the preceding clauses describe things that are of the same quality or nature as the final clause— that is, although different categories of prior art are listed, all of them are limited to that which makes the invention “available to the public.” As the committee report notes at page 9, “the language of the prior art clause is added to clarify the broad scope of relevant prior art, as well as to emphasize the fact that it [i.e., the relevant prior art] must be publicly available.” In other words, as the report notes, “[p]rior art must be available to the public.” That language will be meaningless if the application and will include all art that publicly exists prior to the filing date, other than disclosures by the inventor within one year of filing.

The Committee’s understanding of the effect of adding the words “or otherwise available to the public” is confirmed by judicial construction of this phraseology. Courts have consistently found that when the words “or otherwise” or “or other” are used to add a proviso to a modification of section 120 et al., the modifier thus added restricts the meaning of the preceding clauses. Strom v. Goldman, Sachs & Co., 202 F.3d 138, 146–47, Second Cir. 1999, states that:

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

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

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

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

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

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

Moreover, the fact that the clause “or otherwise available to the public” is set off from its preceding clauses by a comma confirms that it applies to both “public use” and “on sale.” DirecTV Group, Inc. v. DIRECTV Corp., 523 F.3d 1323, 1336, Fed. Cir. 2008, notes that “when a modifier is set off from a series of antecedents by a comma, the modifier should be read to apply to each of those antecedents.” Thus new section 102(a)(1) imposes a public-availability standard on the definition of all prior art enumerated by the bill—an understanding on which the remainder of the bill is predicated.

Whether an invention has been made available to the public is the same inquiry that is undertaken under existing law to determine whether a document has become publicly accessible, but is conducted in a more generalized manner to account for disclosures of information that are not in the form of documents. A document is publicly accessible if it has been disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art, exercising reasonable diligence, can locate it and recognize and comprehend the essentials of the claimed invention without need of further research or experimentation.

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

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

The present bill’s elimination of the patent forfeiture doctrines in favor of a general public availability standard also limits and reconciles the various purposes that previously have been averted to section 102’s definition of prior art. Current 102(b), which imposes the forfeiture doctrines, has been described as being primarily concerned
with the policy that encourages an inventor to enter the patent system promptly,” a quotation from Woodward Trust v. Flowertree Nursery, Inc., 148 F.3d 1368, 1370, Fed. Cir. 1998. And the “overriding concern of the on-sale bar has been stated as “an inventor may have made his invention available to the public and then attempt to commercialize his invention beyond the statutory term,” as stated in Netscape Communications Corp. v. Konrad, 295 F.3d 1315, 1323, Fed. Cir. 2002.

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

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

The present bill’s new section 102(a) precludes extreme results such as these and eliminates the use of the definition of prior art to pursue varied goals such as encouraging prompt filing or limiting the inventors’ rights. Instead, the new definition of prior art will serve only one purpose: “to prevent the withdrawal by an inventor of that which was already in the possession of the public,” as noted in Bruckelmyer v. Grouse Hillers, Inc., 335 F.3d 1374, 1376, Fed. Cir. 2006. The new definition is “grounded on the principle that once an invention is in the public domain, it is no longer patentable by anyone,” as stated in SRI International, Inc. v. Internet Security Systems, Inc., 511 F.3d 1186, 1194, 2008 WL 1970414, Fed. Cir. 2008.

The present definition thus abrogates the rule announced in Egbert v. Lippman, 104 U.S. 333, 336 (1881), one of the more unusual patent cases to come before the Supreme Court. That case held that:

whether the use of an invention is public or private does not necessarily depend upon the number of persons to whom its use is known. By marking his device, giving or selling it, or offering it for sale or use to another, to be used by the donee or vendee, without limitation or restriction, or injunction of secrecy, and it is so used, the device is public, even though the use and knowledge of the use may be confined to one person.

Egbert v. Lippman is another case whose result can fairly be characterized as extremistic in that there was an improved corset spring. The evidence showed only that the inventor had given the improved corset spring to one lady friend, who gave it to no other, and who used it in a corset, which she wore, it appears, under her dress. The U.S. Supreme Court deemed this to be a “public use” of the invention within the meaning of section 102(b).

Justice Miller dissented. He began by noting that the word “public” in section 102(b) is “an important member of the sentence.” Justice Miller went on to conclude:

A private use with consent, which could lead to no copy or reproduction of the machinery, which taught the nature of the invention to no one but the party to whom such consent was given, which left the public at large as ignorant of this as it was before the author’s disclosure to the public, and did not defeat his claim for a patent. If the little steep spring inserted in a single pair of corsets, and used by only one woman, covered with a corset, in a position always withheld from public observation, is a public use of that piece of steel, I am at a loss to know the line between a private and a public use.

In this bill’s revisions to section 102, vindication has finally come to Justice Miller, albeit 130 years late.

I emphasize these points about the bill’s imposition of a general public availability standard and its elimination of secret prior art because they are no small matter. A contrary construction of section 102(a)(1), which allowed private and non-disclosing uses and sales to constitute invalidating prior art, would be fairly disastrous for the U.S. patent system. First, the bill’s new post-grant review, in which any validity challenge can be raised, would be utterly unmanageable if the validity of all patents subject to review under the new system continued to depend on discovery-intensive searches for secret offers for sale and non-disclosing uses by third parties. Only patents issued under the new prior-art rules can be efficiently reviewed under chapter 32.

Second, a general public-availability standard is a necessary accompaniment to this bill’s elimination of geographic restrictions on the definition of prior art. As unwieldy as the current rules may be, at least those rules allow only those secret sales and private third-party uses occurring overseas to constitute prior art. Under the new regime, however, sales and uses occurring overseas will also constitute prior art. A sale or use that discloses an invention to the public is relatively hard to falsify. If the invention truly was made available to the public by sale or use, independent validation of that sale or use should be readily available. By contrast, the existence of a secret offer for sale or nondisclosing third-party use, largely will turn on the affidavits or statements of the parties to such an occurrence. Unfortunately, some foreign countries continue to have no effective remedy for such abuses and few scruples about bending the rules to favor domestic interests over foreign competitors. A system that allowed foreign interests to invalidate a U.S. patent simply by securing statements from individuals that a secret offer for sale or non-disclosing third-party use of the invention had occurred in a foreign country would place U.S. inventors at grave risk of having their inventions stolen through fraud. That is not a risk that Congress is willing to accept.

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

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

Section 2(e)(2) of the bill strikes the citation to section 115 from section 111(b)(8)’s enumeration of application requirements that do not apply to provisionalals. This conforming change is made because, in section 3 of the bill, section 115 itself has been amended so that it only applies to nonprovisionals. In other words, there is no longer any need to retain exemptions for purposes of pending interferences, which may continue under this bill.

Sections 2(h) and (i) of the present bill make a number of changes to the previous bills’ treatment of remedies for derivation. These changes are made largely at the Patent Office’s suggestion. In particular, the new section 135 proceeding is simplified. The Office is given authority to implement the proceeding through regulations, the Office is permitted to stay a derivation proceeding pending an ex parte
reexamination, IPR, or PGR for the earlier-filed patent, and the Office is permitted but not required to institute a proceeding if the Office finds substantive evidence of derivation. In lieu of a section 135 proceeding, parties will be allowed to challenge a derived patent through a civil action under a revised section 291. New section 2(k) of the bill eliminates the qui tam remedy for false marking, while allowing a party that has suffered a competitive injury as a result of such marking to seek compensatory damages. Section 292 of title 35 prohibits false patent marking and imposes a penalty of $500 for each such offense. Under current law, subsection (b) allows “any person” to sue for the penalty, and requires only that one half of the proceeds of the suit shall go to the United States. Current subsection (b) is, in effect, a qui tam remedy for false marking, but without any of the protections and government oversight that normally accompany qui tam actions.

The changes made by section 2(k) of the bill would allow the United States to continue to seek the $500-per-article fine, and would allow competitive recovery in relation to actual injuries that they have suffered as a result of false marking, but would eliminate litigation initiated by unrelated, private third parties. In lawsuits, patent, attorneys have begun to target manufacturers of high-volume consumer products with section 292(b) actions. Since the fine of up to $500 is assessed for each article that is falsely marked, such litigants have an incentive to target products that are sold in high volume. Though one might assume that section 292 is targeted at parties that assert fictitious patents in order to deter competitors, such a scenario is almost wholly unknown to false-marking litigation. Liabilities are almost always based on allegations that a valid patent that did cover the product has expired, but the manufacturer continued to sell products stamped with the patent, or allegations that an existing patent used to mark products is invalid or unenforceable, or that an existing and valid patent’s claims should not be construed to cover the product in question. Indeed, a recent survey of such suits found that a large majority involved valid patents that covered the products in question but had simply expired. For many products, it is difficult and expensive to change a mold or other means by which a product is marked as patented, and marked products continue to circulate in commerce for some time after the patent expires. It is doubtful that the Congress that originally enacted this section anticipated that it would force manufacturers to immediately remove marked products once the patent expired, given that the expense to manufacturers of doing so will generally greatly outweigh any conceivable harm of allowing such products to continue to circulate in commerce. Indeed, it is not entirely clear how consumers would suffer any tangible harm from false marking that is distinct from that suffered when competitors enter the market. Patent marking’s primary purpose is to inform competitors, not consumers, that a product is patented. I doubt that consumers would take any interest, for example, in whether a dispositive of a patent is pending or a patent has expired, to take one case recently decided by the courts. Even less clear is how the consumer would be harmed by such marking, absent a deterrence of competition. Current section 292(b) creates an incentive to litigate over false marking that is far out of proportion to the extent of any harm actually suffered or the culpability of a manufacturer’s conduct.

To the extent that false patent marking deters competition, the bill’s revised section 292(b) allows those competitors to sue for relief. This remedy should be more than adequate to deter false marking that harms competition. And to the extent that false marking serves to deter competition in a manner distinct from any injury to competitors and competition, revised section 292(a) would allow the United States to seek relief on behalf of the public. The Justice Department can be expected to be more judicious in its use of this remedy than is a private qui tam litigant seeking recovery that will benefit him personally. These revisions to section 292 should restore some equilibrium to this field of litigation. Finally, because the Federal Circuit’s recent decision in Forest Group, Inc. v. Bon Tool Co., 590 F.3d 1295, Fed. Cir. 2009, appears to have created a surge in false-marking qui tam litigation, the changes made in paragraph (1) of section 2(k) of the bill are made fully retroactive by paragraph (2). Because the courts have had difficulty properly construing effective-date language in recent years, paragraph (2) employs the language of section 7(b) of Public Law 109–366, the Military Commissions Act of 2006, which recently was given an authoritative construction in Boumediene v. Bush, 476 F.3d 981, 987, D.C. Cir. 2007. As that court noted when construing effective-date language identical to that of section 7(b):

Section 7(b) could not be clearer. It states that “the amendment made by subsection (a)—which repeals habeas jurisdiction—applies to ‘all cases, without exception’ relating to an act of war by an alien as if it had been enacted as of the date on which the proponent of these words were slamming their fists on the table shouting ‘We won’t say ‘al,’ we mean all—without exception.’

It is anticipated that courts will find the same clarity in the language of section 2(k)(2), and will apply the revised section 292(b) to cases pending at any level of appeal or review.

Section 2(1) of the present bill modifies the statute of limitations for initiating a proceeding to exclude an attorney from practice before the Office. Under this provision, a section 32 proceeding must be initiated either within 10 years of when the underlying misconduct occurred, or within 1 year of when the misconduct is reported to that section of PTO charged with conducting section 32 proceedings, whichever is earlier. It is not entirely clear how the time limitation applies under present law. A recent D.C. Circuit case, 3M v. Browner, 17 F.3d 1461 D.C. Cir. 1994, effectively makes the 5-year statute of limitations that generally applies to enforcement of civil penalties, at 28 U.S.C. §2462, run from the date when a violation occurred, rather than from the date when the enforcement agency first learned of the violation or reasonably could have learned of it. A recent Federal Circuit case, Sheinbein v. Dudas, 465 F.3d 493, 496, Fed. Cir. 2006, applies the section 2462 5-year limitation to section 32 proceedings, and applies 3M v. Browner’s interpretation of the time in which the fraud has occurred, section 2462 only runs when the fraud “could have been discovered by a person exercising reasonable diligence.” Although the Federal Circuit appears to be inclined to follow 3M v. Browner, it is not entirely clear that it would reject Koenig’s exception for cases of fraud, Koenig having been decided subsequently to Sheinbein. In any event, neither rule would be entirely satisfactory for section 32 proceedings. On the one hand, a strict five-year statute of limitations that runs from when the misconduct occurred, rather than from when it reasonably could have been discovered, would appear to preclude a section 32 proceeding for a significant number of cases of misconduct, since prosecution misconduct often is not discovered until a patent is enforced. On the other hand, a fraud exception that effectively tolls the statute of limitations until the fraud reasonably could have been discovered would be both overinclusive and underinclusive. Such tolling could allow a section 32 proceeding to be commenced more than two decades after the attorney’s misconduct occurred. This is well beyond the time period which individuals can reasonably be expected to maintain an accurate recollection of events and motivations. And yet, a fraud exception would also be underinclusive, since there is a substantial range of misconduct that PTO should not sanction that does not rise to the level of fraud, which requires reliance on the perpetrator’s misrepresentations.

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

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

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

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

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

In section 3(b), the present bill adds a new paragraph (2) that modifies section 251 to allow an assignee who applied for a patent to also seek broadening reissue of the patent within two years of its issuance. Notwithstanding the language of the fourth paragraph of current section 251, the Office currently does allow assignees to seek broadening reissue, so long as the inventor does not oppose the reissue. The Office views such unopposed applications for reissue as an easy way to ensure that courts “in the name” of the inventor. Expanding an assignee’s right to seek broadening reissue is consistent with the bill’s changes to sections 115 and 118, which expand assignees’ rights by allowing assignment to apply against the inventor’s wishes. If an assignee exercises his right to apply for a patent against the inventor’s wishes, there is no reason not to allow the same assignee to also seek a broadening reissue within the section 251 time limits.

Turning to the issue of damages, at the end of the 110th Congress, I introduced a patent reform bill, S. 3600, that proposed restrictions on the use of some of the factors that are used to calculate a reasonable royalty. Discussions with patent-damages experts had persuaded me that several of the metrics that are employed by litigants are unsound, unduly manipulable and subjective, and prone to producing excessive awards. The most significant of the restrictions that I proposed in S. 3600 were limits on the use of supposedly comparable licenses for other patents to value the patent in suit, and limits on the use of measures such as the so-called rule of thumb. These proposals are discussed in my statement accompanying the introduction of S. 3600, at 154 CONGRESSIONAL RECORD S9882, S9884-85, daily ed., September 27, 2006. I argued at the time that courts and juries would stop using these metrics “is for Congress to tell the courts to disallow them.”

It appears that I underestimated the courts’ ability and willingness to address these problems on their own. And I certainly did not anticipate the speed with which they might do so. Three recent decisions from the Federal Circuit
have sharply restricted the use of licenses for supposedly comparable patents to value the patent in suit. Lucent Technologies, Inc. v. Gateway, Inc., 580 F.3d 1301, 1328, Fed. Cir. 2009, makes clear that mere "kinship" in a field of technology is not enough to justify the use of evidence of licenses for other patents. Lucent bars the use of other-patent licenses where there is no showing of the significance of such other patented inventions to their licensed products, of how "value" or "essential" those other licensed inventions are. In a similar vein, ResQNet.com, Inc. v. Lansa, Inc., 594 F.3d 860, 870, 872, Fed. Cir. 2010, condemns the use of "unrelated" licenses for other patents as a measure of value and makes clear that a supposedly comparable license must have "an economic or other link to the technology in question." And Wordtech Systems, Inc. v. Integrated Network Solutions, Inc., 609 F.3d 1304, 1328, Fed. Cir. 2010, recently found that "comparisons of past patent licenses to the infringing product must account for the technological and economic differences between them."

And just two months ago, I was particularly pleased to see the Federal Circuit announce, in Uniloc USA, Inc. v. Microsoft Corp., F.3d 1301, 1328, Fed. Cir. 2009, that "comparisons of past patent licenses to the infringing product must account for the technological and economic differences between them." The court ruled that testimony based on the rule of thumb is inadmissible under the Daubert standard.

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

The patent counsel that I quoted earlier also struck down a damages award that was based on the entire market value of the infringing product. The court did so because there was no substantial evidence that the patented invention was the "only" or "essential" feature that the consumer demanded for the product. See Lucent, 580 F.3d at 1337–38. This holding addresses one of the principal complaints that I have heard about patent-damages calculations.

The present bill also makes no changes to the standard for awards of treble damages. As noted in the Minority Report to the committee report for the 2009 bill, Senate Report 111-18 at pages 58–60, that bill's grounds for allowing an adverse inference from an accused infringer's failure to obtain opinion of counsel as to infringement or his failure to waive privilege and disclose such an opinion are weak. The purpose of this provision is designed to protect attorney-client privilege and to reduce pressure on accused infringers to obtain opinions of counsel for litigation purposes. It reflects a policy choice that the probative value of this type of evidence is outweighed by the harm that coercing a waiver of attorney-client privilege inflicts on the attorney-client relationship. Permitting adverse inferences from a failure to procure an opinion or waive privilege undermines frank communication between clients and counsel. It also feeds the cottage industry of providing such opinions—an industry that is founded on an unhealthy relationship between clients and counsel and that amounts to a deadweight loss to the patent system. Some lawyers develop a lucrative business of producing these opinions, and inevitably become aware that continued requests for their services are contingent on their opinions' always coming out the same way—that the patent is invalid or not infringed. Section 298 reflects legislative skepticism of the probative value of such opinions. Section 298 applied to both willfulness and intent to induce infringement—and thus legislatively abrogates Broadcom Corp. v. Qualcomm Inc., 543 F.3d 683, Fed. Cir. 2008. That case held, at page 699, that: "Because opinion-of-counsel evidence, along with other factors, may reflect whether the accused infringer 'knew or should have known' that its actions would cause another to infring[e] directly infringe, we hold that such evidence remains relevant to the second prong of the intent analysis. Moreover, we disagree with Qualcomm's argument and further hold that the failure to procure an opinion may be probative of intent in this context."

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

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

In addition, the bill creates a new post-grant review in which a patent party confronted by a strong patent is to take a license—and where no one thinks that he can get away with copying.
can be challenged on any validity ground during the first nine months after its issue. Challengers who use this proceeding will be estopped in litigation from raising only those issues that were raised and decided in the post-grant review. Rather than those issues that could have been raised, the standard employed in inter partes reexamination.

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

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

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

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

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

Many of the current procedural limits added to inter partes and post-grant review by the present bill are borrowed from S. 3600, the bill that I introduced in the 110th Congress. My comments accompanying the introduction of that bill, at 154 CONGRESSIONAL RECORD S9982–S9993, daily ed. Sept. 27, 2008, are relevant to those provisions of the present bill that are carried over from S. 3600, particularly to the extent that the comments disclosed understandings that were reached with the Patent Office, conscious use of terms of art, or the reasoning behind various provisions. Relevant passages include page S9987’s discussion of the use of the adjudicative or oppositional model of post-grant review and estoppel against parties in privity, and page S9988’s discussion of what is now section 324(b)’s additional threshold for instituting a post-grant review, the expectation that the Director will do nothing that satisfies the threshold for instituting an inter partes or post-grant review, the meaning of “properly filed” when used in the joinder provisions in sections 315(c) and 325(c), the authorization to consolidate proceedings in sections 315(d) and 325(d), and the standards for discovery in sections 316(a)(6) and 326(a)(5). Also relevant is page S9991’s discussion of the excesses and effects of inequitable-conduct litigation, which informs the bill’s provisions relating to that doctrine.

Among the most important protections for patent owners added by the present bill are its elevated thresholds for instituting inter partes and post-grant reviews. The present bill dispenses with the test of “substantial new question of patentability,” a standard that currently allows 95% of petitions to be granted. Rather, the bill imposes thresholds that require petitioners to present information that creates serious doubts about the patent’s validity. Under section 314(a), inter partes review will employ a reasonable-likelihood-of-success threshold, and under section 324(a) post-grant review will use a more-likely-than-not-validity threshold.

Satisfaction of the inter partes review threshold of “reasonable likelihood of success” will be assessed based on the information presented both in the petition for review and in the patent owner’s response to the petition. The “reasonable likelihood” test is currently used in evaluating whether a party is entitled to a preliminary injunction, and requires the petitioner to present a prima facie case justifying a rejection of the claims in the patent.

Post-grant review uses the “more likely than not” standard. This slightly higher threshold is used because some of the issues that can be raised in post-grant review, such as enablement and section 101 invention issues, may require development through discovery. The Office wants to ensure that if a party seeks such issues present a complete case at the outset, and are not relying on obtaining information in discovery in the post-grant review in order to satisfy their ultimate burden of showing invalidity by a preponderance of the evidence.

Subsections (a) and (b) of sections 315 and 325 impose time limits and other restrictions when inter partes and post-grant review are sought in relation to litigation. Sections 315(a) and 325(a) bar a party from seeking or maintaining such a review if he has sought a declaratory judgment that the patent is invalid. This restriction applies, of course, only if the review petitioner has filed the civil action. These two subsections (a) do not restrict the rights of an accused infringer who has been sued and is asserting invalidity in a counterclaim. That situation is governed by section 315(b), which provides that a party who has been sued for infringement and wants to seek inter partes review, he must do so within 6 months of when he was served with the infringement complaint.

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

Sections 315(c) and 325(c) allow joinder of inter partes and post-grant review petitioners. The Office anticipates that joinder will be allowed as of right—if an inter partes review is instituted on the basis of a petition, a party that files an identical petition will be joined to that proceeding, and thus allowed to file its own briefs and make its own arguments. If a party seeking joinder also presents additional challenges to validity that satisfy the threshold for instituting a proceeding, the Office will either join that party and its new arguments to the existing proceeding, or institute a second proceeding for the patent. The Director is given discretion, however, whether or not to allow joinder. This safety valve will allow the Office to avoid being overwhelmed if there happens to be a deluge of joinder petitions in a particular case.

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

The second sentence of section 325(d) complements the protections against abuse of ex parte reexamination that are created by sections 315(e) and 325(e). The estoppels in subsection (e) will prevent inter partes and post-grant review petitioners from seeking ex parte reexamination of issues that were raised or could have been raised in the inter partes or post-grant review. The Office has generally declined to apply estoppel, however, to an issue that is raised in a request for inter partes reexamination if the request is raised in a subsequent PTO proceeding. The Office has made clear that it intends to use this authority to encourage early requests for joinder and to discourage late requests. The Office also has indicated that it may consider the following factors when determining whether estoppel should apply: differences in the products or processes alleged to infringe; whether the breadth or unusualness of the claim scope that is alleged, particularly if alleged later in litigation, has made it reasonably and reliably clear which patent claims he is asserting and what they mean. If one defendant has instituted an inter partes review, but other defendants do not have an opportunity to join that review before it becomes reasonably clear which claims will be litigated and how they will be construed, it would be manifestly unfair to extend estoppel to the codefendants.

The Office also has the authority to address such scenarios via its authority under section 316(a)(5), which gives the Office discretion in setting a time limit for allowing joinder. The Office has made clear that it intends to use this authority to encourage early requests for joinder and to discourage late requests. The Office also has indicated that it may consider the following factors when determining whether estoppel should apply: differences in the products or processes alleged to infringe; the breadth or unusualness of the claim scope that is alleged, particularly if alleged later in litigation; claims-construction rulings that affect claim interpretations that are substantially different from the claim interpretation used in the first petition when that petition’s interpretation was not manifestly in error; whether the Office’s proceedings of current cases, if the Office is to prevent new claims against particular claims, the new threshold will prevent challenges from “mushrooming” after the review is instituted into additional arguments employing other prior art or attacking other claims.

Although sections 316 and 326 do not regulate when and how petitioners will be allowed to submit written filings once a review is instituted, the Office has made clear that it will allow petitioners to do so via the regulations implementing the proceedings. Sections 316 and 326 do clearly allow petitioners to obtain some discovery and to have an oral hearing. Obviously, it would make no sense to do so if petitioners were not also allowed to submit written arguments. The bill conforms to the Office’s preference, however, that it be given discretion in determining the procedures for written responses and other filings, in order to avoid the form of current cases, if the Office is to prevent new claims against particular claims, the new threshold will prevent challenges from “mushrooming” after the review is instituted into additional arguments employing other prior art or attacking other claims.

The bill also eliminates intermediate administrative appeals of inter partes proceedings to the BPAI. Instead allowing parties to only appeal directly to the Federal Circuit. By reducing two levels of appeal to just one, this change will substantially accelerate the resolution of inter partes cases.

Sections 316(a)(6) and 326(a)(5) of the bill provide for a transition from current inter partes reexamination to new inter partes review. To protect the Office from being overwhelmed by the view of strength of the second petition; and whether the petitioner has offered to pay the patent owner’s costs.

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

Sections 316(a)(12) and 326(a)(11) provide that inter partes and post-grant reviews must be completed within 12 months of when the proceeding is instituted, except that the Office can extend this deadline by 6 months for good cause. Currently, inter partes reexaminations usually last for 3 to 5 years. More importantly, by the present bill to inter partes proceedings, the Patent Office is confident that it will be able to complete these proceedings within one year. Among the reforms that are expected to expedite the Office’s work, the shift from an examinational to an adjudicative model, and the elevated threshold for instituting proceedings. The elevated threshold will require challengers to front load their case. Also, by the present bill, if a petitioner’s new arguments are substantially different from the arguments employed in the Office’s proceedings. Sections 316 and 326 do clearly allow petitioners to obtain some discovery and to have an oral hearing. Obviously, it would make no sense to do so if petitioners were not also allowed to submit written arguments. The bill conforms to the Office’s preference, however, that it be given discretion in determining the procedures for written responses and other filings, in order to avoid the form of current cases, if the Office is to prevent new claims against particular claims, the new threshold will prevent challenges from “mushrooming” after the review is instituted into additional arguments employing other prior art or attacking other claims.

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new inter partes and post-grant proceedings, sections 5(c)(2)(C) and 5(f)(2) allow the Director to place a limit on the number of post-grant and inter partes reviews that will be instituted during the first four years that the proceeding is open. It is understood that if the Office rejects a petition during this period because of this numerical limit, it will make clear that the rejection was made because of this limit and not on the merits of the validity of the patent. Otherwise, even a challenger with strong invalidity arguments might be deterred from using inter partes or post-grant review by fear that his petition might be rejected because of the numerical limit, and the fact of the rejection would then be employed by the patent owner in civil litigation to suggest that the experts at the Patent Office found no merit in the challenger’s arguments.

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

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

Finally, section 5(h)(2) of the bill addressed a recommendation by the de novo Review in Ex parte Patent Reexaminations (circulated April 16, 2010). This article criticizes the draft managers’ amendment that Senators LEAHY and SESSIONS circulated in March 2010 on the ground that it eliminates authority for a patent owner to appeal adverse BPAI decision on review of an ex parte reexamination. It is fairly apparent, however, that this authorization was intended to be eliminated by the amendments made by the AIPA. Section 306 created an ambiguity as to whether the AIPA did, in fact, eliminate a patent owner’s right to seek remedy in the district court under section 145 from an adverse BPAI decision on review of an ex parte reexamination. See Sigram Schindler Beteiligungsgesellschaft mbH v. Kappos, 93 USPQ2d 1752, E.D. Va. 2009, (Ellis, J.), notes that “the fact that § 306 continues to cross-reference § 141 to 145 following the AIPA’s enactment appears to be in tension with the AIPA amendments.”

Section 5(h)(2) of the present bill eliminates this ambiguity by striking the citation to section 145 from section 306 of title 35. Section 6 of the bill includes all provisions of the bill addressing the jurisdiction of the Patent Trial and Appeal Board and administrative and judicial appeals. In section 6(a), the recodification of section 6 of title 35 is modified so that all members of the PTAB can participate in all proceedings. Also, under subsection (d) is added to the recodification of section 6 of title 35. By omitting this provision, the 2009 bill would have effectively repealed the APJ “appointments fix” that had been enacted in 2006.

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

In subsection (b)(2) of the bill, section 1295(a)(4)(A) of title 28 is modified to authorize appeals of reexaminations and reviews. Interestingly, current 1295(a)(4)(A) only gives the Federal Circuit jurisdiction over appeals from applications and interferences. It appears that Congress never gave the Federal Circuit jurisdiction over appeals from reexaminations when it created those proceedings. The language of subparagraph (A) is also generalized and clarified by modifying that the details of what is appealable will be in sections 134 and 141. Also, for logical consistency, language is added to subparagraph (A) making clear that section 145 and 146 proceedings are an exception to this.

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

In the effective-date provision at the end of section 6, various existing authorities are either deleted or clarified. They may continue to apply to inter partes reexaminations commenced under the old system, and the apparent gap in current section 1295(a)(4)(A)’s authorization of jurisdiction is immediately filled with respect to other inter partes and ex parte reexaminations.

In section 7, the present bill makes several PTO-recommended changes to previous bill versions’ authorization to make preissuance submissions of prior art, and repeals the preissuance submission language of section 122(e) of title 35, the word “person” has been replaced with “third party,” so that submissions may only be submitted by third parties. This addresses the Office’s concern that applicants might otherwise use section 122(e) to submit prior art and thereby evade other examination disclosure requirements.

In subparagraph (A) of section 122(e)(1), the word “given” has been replaced with “previously submitted.” This has the effect of including email notices of allowances.

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

In clause (i) of section 122(e)(1)(B), the words “by the Office” are added to ensure that only publication by the United States Patent and Trademark Office begins the period for
making pre-issuance submissions. The Office sought this change because a for-}

eign publication can be deemed a publication under section 122, and the Office}

thought that it was only required to collect third-party submissions for an ap-
}llication that is actually filed in the United States.

Section 8 of the present bill omits provisions appearing in prior bills that would}
have created an expanded right to an interlocutory appeal from claim-construc-
}tion rulings. Even as revised in the 2009 Judiciary Committee markup, prior
}section 8(b) gave the Fed-
}eral Circuit insufficient discretion to turn away such appeals and posed a se-
}rious risk of overwhelming the court. The 2009 mark-up revisions allowed the
}Federal Circuit to reject an interlocu-
}tory appeal if it found clear error in the district court’s certification that there
}is a sufficient evidentiary record for an interlocutory appeal and that such an
}appeal may advance the termina-
}tion of the litigation or will likely control the outcome of the case. It
}would be difficult in any case, however, to reject a finding that an interlocu-
}tory appeal of claim-construction rulings should be entertained. Furthermore, the
}Federal Circuit has recognized that the Office also “has inherent authority to
}govern procedure before the Office,” as noted in In re Bogeuse II, 303 F.3d 1302, 1368, Fed. Cir. 2002, and that inher-
}ent authority to sanction attorneys for misconduct is not restricted to Arti-
}cle III courts, a point noted in In re Bailey, 182 F.3d 860, 864 n.4, Fed. Cir. 1999.

Given the Office’s existing tools for sanctioning misconduct, there is no need to make
}added procedural reforms to require a more objective-evidence-based system that will be much cheaper to litigate and more efficient to administer.

Section 16(i) of the present bill cor-
} rects several errors and typos through-
} out the bill as noted in the revis-
}er’s notes to the U.S. Code.

Section 16(j) strikes unnecessary refer-
} ences to “of this title” that are sprinkled throughout title 35. The 1952 Act included such unnecessary refer-
} ences, but more recent additions to the code have not, and the current bill’s changes omit such references. Be-
} cause the unnecessary references greatly outnumber the necessary references, the provision is written to strike all references but then except out the nec-
} essary references.

The present bill’s new section 17 en-
} acts the so-called Holmes Group fix, H.R. 2955, 109th Congress, which was re-
} ported out of the House Judiciary Com-
}mittee in 2006. The committee report accompanying that bill, House Report 109-407, explains the bill’s reasons for abrogating Holmes Group, Inc. v. Vor-
} nado Air Circulation Systems, Inc., 535 U.S. 826 (2002), and more fully pre-
}sents the new language.

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

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

In the modified text of section 17(d) of this bill, the court is instructed to not remand those claims that were a basis for removal in the first place—that is, the intellectual-property counterclaims.

Section 18 of the bill creates an administrative mechanism for reviewing the validity of business-method patents. In the United States, holding that any invention can be patented so long as it produces a “useful, concrete, and tangible result” and meets other requirements of title 35. In recent years, federal judges have increasingly relied on the U.S. Supreme Court’s decision in Bilski v. Kappos, 561 U.S. 335 (2010), which narrowly interpreted section 101 of the Patent Act to exclude certain business-method inventions from patentability. This decision has had significant consequences for the patentability of many inventions, particularly in the field of financial services. The present bill modifies section 301 of title 35 to allow any person to submit to the Office the patent owner’s statements in federal court or in any Office proceeding about the scope of the patent’s claims. With this and other information, the Office should be able to determine whether the product or service that is claimed is a business-method patent. Business-method patents, like other patents, do not include “scientific discoveries.” In other words, the definition applies only to abstract business concepts and their implementation, whether in computers or otherwise, but does not apply to inventions relating to computer operations for other uses or the application of the natural sciences or engineering.

One feature of section 18 that has been the subject of prolonged discussion and negotiation between various groups during the last year is its subsection (c), which concerns stays of litigation. The current subsection (c) reflects a compromise that requires a district judge to consider fixed criteria when deciding whether to grant a stay, and provides the parties with a right to an interlocutory appeal of the district judge’s decision. The appeal right has been modified to provide that such review may be de novo, and in every case requires the Federal Circuit to en banc review of the district court’s decision. Thus whether or not a stay is reviewed de novo, the court of appeals cannot simply leave the stay decision to the discretion of the district court and allow different outcomes based on the predictions of different trial judges. It is expected that district judges will liberally grant stays of litigation once a proceeding is instituted. Petitioners are required to make a high threshold showing the institution of an interlocutory appeal the district court, and provides either side with a right to an interlocutory appeal of the district court’s decision. The appeal right has been modified to provide that such review may be de novo, and in every case requires the Federal Circuit to en banc review of the district court’s decision. Thus whether or not a stay is reviewed de novo, the court of appeals cannot simply leave the stay decision to the discretion of the district court and allow different outcomes based on the predictions of different trial judges.

In pursuit of this congressional policy strongly favoring stays when proceedings instituted by the Office, the present bill modifies section 18’s definition of “business-method patent” to include any method that does not include “scientific discoveries.” In other words, the definition applies only to abstract business concepts and their implementation, whether in computers or otherwise, but does not apply to inventions relating to computer operations for other uses or the application of the natural sciences or engineering.
“established precedent.” This particular requirement is based on section 2245(d)(1) of title 28, which has been construed to require lower courts to look only to a fixed body of caselaw when making decisions under section 2254. Currently, district judges’ decisions whether to stay litigation when a reexamination has been ordered are not appealable and therefore have never been reconsidered by the Federal Circuit. Unsurprisingly, the resulting district-court caselaw is a dog’s breakfast of different combinations of factors and different meanings ascribed to those factors. Although the cases applying Broadcast Innovation cite other opinions applying other tests as sources for some of its factors, by requiring application of “established precedent,” sub-section (c) limits the relevant precedent to that applying the four factors of Broadcast Innovation in combination. By requiring courts to apply this limited and relatively consistent body of caselaw when determining whether to grant a stay, subsection (c) should ensure predictability and stability in stay decisions across different district courts, and limit the incumbent forum shopping. The existence of forum shopping is an embarrassment to the legal system. Federal courts should apply equal justice, and give federal law the same meaning, regardless of where they are located.

Mr. President, I will conclude by noting that the present bill is the product of almost a decade of hard work. The path to this bill included three Senate Judiciary Committee mark ups, as well as the bipartisan legislation crafted by Senators SMITH and other members of the House of Representatives to the development of the Patent Reform Act of 2005, the foundation of today’s bill. The present bill will protect our heritage of innovation and create a modern and efficient patent system for the current century. It will create clear and efficient rules for determining patentability, and a pretty good open process, and will curtail litigation abuses and improve certainty for inventors and innovators. It will help companies do business more efficiently on an international scale.

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

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

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

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

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

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

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The yeas and nays were ordered.

The bill was ordered to be engrossed as amended.

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

The bill clerk read as follows:

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

Total Budgetary Effects of S. 23 for the 5-year statutory PAYGO Scorecard: net reduction in the deficit of $590 million.

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

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

<table>
<thead>
<tr>
<th>CBO ESTIMATE OF THE STATUTORY PAY-AS-YOU-GO EFFECTS FOR S. 23, THE AMERICA INVENTS ACT, WITH AMENDMENTS APPROVED BY THE SENATE THROUGH MARCH 8, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>By fiscal year, in millions of dollars—</td>
</tr>
<tr>
<td>Statutory Pay-As-You-Go Impact</td>
</tr>
<tr>
<td>Decrease in revenue from fees and payments to the United States Treasury</td>
</tr>
<tr>
<td>0</td>
</tr>
<tr>
<td>Memorandum</td>
</tr>
<tr>
<td>Changes in Outlays</td>
</tr>
<tr>
<td>2,060</td>
</tr>
<tr>
<td>Changes in Revenues</td>
</tr>
<tr>
<td>2,480</td>
</tr>
</tbody>
</table>

Notes: Components may not sum to totals because of rounding.

The legislation would give the Patent and Trademark Office permanent authority to collect and spend fees.

Sources: Congressional Budget Office.
Sec. 21. Satellite offices.
Sec. 20. Patent and Trademark Office fund-
Sec. 19. Travel expenses and payment of ad-
Sec. 18. Transitional program for covered
Sec. 16. Technical amendments.
Sec. 12. Micro entity defined.
Sec. 10. Supplemental examination.
Sec. 7. Preissuance submissions by third
Sec. 3. Inventor’s oath or declaration.
Sec. 2. First inventor to file.

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Definitions.—Section 100 of title 35, United States Code, is amended by adding at the end the following:

(4) The term ‘inventor’ means the individual or, if a joint invention, the individuals collectively who invented or discovered the subject matter of the invention.

(5) The terms ‘joint inventor’ and ‘co-inventor’ mean any 1 of the individuals who invented or discovered the subject matter of a joint invention.

(b) The term ‘joint research agreement’ means a written contract, grant, or cooperative agreement entered into by 2 or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.

(1) The term ‘effective filing date’ of a claimed invention in a patent or application for patent means:

(A) if subparagraph (B) does not apply, the actual filing date of the patent or the application for the patent containing a claim to the invention; or

(B) the filing date of the earliest application for which the patent or application is entitled, to such invention, to a right of priority under section 119, 365(a), or 365(b) or to the benefit of an earlier filing date under section 120, 121, or 365(c).

(2) The effective filing date for a claimed invention in an application for reissue or re-issued patent shall be determined by deeming the claim to the invention to have been contained in the patent for which reissue was sought.

(2) The term ‘claimed invention’ means the subject matter defined by a claim in a patent or an application for a patent.

(b) Conditions for Patentability—

(1) In general.—Section 102 of title 35, United States Code, is amended to read as follows:

“102. Conditions for patentability; novelty.

(a) Novelty: Prior Art.—A person shall be entitled to a patent unless—

(1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention; or

(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, contains another inventor and was effectively filed before the effective filing date of the claimed invention.

(b) Exceptions.—

(1) Disclosures made 1 year or less before the effective filing date of the claimed invention.—A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if—

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

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

(2) Disclosures appearing in applications and patents shall not be prior art to a claimed invention under subsection (a)(2) if—

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

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

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

(c) Common Ownership Under Joint Research Agreements.—Subject matter disclosed and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person in applying the provisions of subsection (b)(2)(C) if—

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

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

(3) the application for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.

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

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

(2) if the patent or application for patent is entitled to claim a right of priority under section 119, 365(a), or 365(b), or to claim the benefit of an earlier filing date under section 120, 121, or 365(c), based upon 1 or more prior applications for patent or reissue in the United States Patent and Trademark Office for which the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.

(d) C O NDITIONS FOR PATENTABILITY; NONOBVIOUS SUBJECT MATTER.—Section 103 of title 35, United States Code, is amended to read as follows:

“103. Conditions for patentability; nonobvious subject matter.

(a) A patent for a claimed invention may not be obtained if—

(1) the claimed invention is not novel; or

(2) the claimed invention is not nonobvious.

(b) A patent for a claimed invention may not be obtained if—

(1) the claimed invention is not novel; or

(2) the claimed invention is not nonobvious.

(c) A patent for a claimed invention may not be obtained if—

(1) the claimed invention is not novel; or

(2) the claimed invention is not nonobvious.

(d) A patent for a claimed invention may not be obtained if—

(1) the claimed invention is not novel; or

(2) the claimed invention is not nonobvious.
claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would not be obvious to a person having ordinary skill in the art at the time the claimed invention was made.

(2) REPEAL OF REQUIREMENTS FOR INVENTIONS MADE AHEAD.—Section 104 of title 35, United States Code, and the item relating to that section in the table of sections for chapter 10 of title 35, United States Code, are repealed.

(e) REPEAL OF STATUTORY INVENTION REGISTRATION.—(1) In general.—Section 157 of title 35, United States Code, and the item relating to that section in the table of sections for chapter 14 of title 35, United States Code, are repealed.

(2) REMOVAL OF CROSS REFERENCES.—Section 111(b)(8) of title 35, United States Code, is amended by striking “sections 113, 131, 135, and 157” and inserting “sections 131 and 135”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect 18 months after the enactment of this Act, and shall apply to any request for a statutory invention registration filed on or after that date.

(f) DETERMINATION OF INVENTOR.—Section 120 of title 35, United States Code, is amended by striking “which is filed by an inventor or inventors named” and inserting “which names an inventor or joint inventor”.

(g) CONFORMING AMENDMENTS.—(1) The section heading for section 372 of title 35, United States Code, is amended by striking “the earliest effective filing date of which is prior to” and inserting “which has an effective filing date before”.

(2) INTERNATIONAL APPLICATION Designating the United States: Effect.—Section 363 of title 35, United States Code, is amended by—

(i) by striking “as otherwise provided in section 102(e) of this title”;

(2) INVENTIONS MADE WITH FEDERAL ASSISTANCE.—Section 202(c) of title 35, United States Code, is amended—

(a) in paragraph (2)—

(1) by striking “publication, on sale, or public use,” and all that follows through “inventor”, and inserting “the expiration of the 1-year period referred to in section 102(b)”;

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

§ 291. Derived patents

(a) IN GENERAL.—The owner of a patent may have relief by civil action against the owner of another patent that claims the same invention and has an earlier effective filing date if the invention claimed in such other patent is the derived invention of the inventor of the claimed invention in the patent owned by the person seeking relief under this section.

(b) LIMITATION.—An action under this section may only be filed within 1 year after the issuance of the first patent containing a claim to the allegedly derived invention and an individual alleged to have derived such invention as the inventor or joint inventor.

(c) PROCEDING.—Section 135 of title 35, United States Code, is amended to read as follows:

§ 135. Derivation proceedings

(a) INSTITUTION OF PROCEEDING.—An applicant for patent may file a petition to institute a derivation proceeding in the Office. The petition shall set forth with particularity the basis for finding that an inventor has derived the claimed invention from an inventor named in the petitioner’s application and, without authorization, the earlier application claiming such invention.

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

(c) DETERMINATION BY PATENT TRIAL AND APPEAL BOARD.—In a derivation proceeding instituted under subsection (a), the Patent Trial and Appeal Board shall determine whether an inventor named in the earlier application has derived the claimed invention from an inventor named in the petitioner’s application and, without authorization, the earlier application claiming such invention was filed. The Director shall prescribe regulations setting forth standards for the conduct of derivation proceedings.

(d) DEFERRAL OF DECISION.—The Patent Trial and Appeal Board may defer action on a petition for a derivation proceeding until 3 months after the date on which the Director issues a patent that includes the claimed invention. If the petition is taken in abeyance, the Patent Trial and Appeal Board shall note the decision and shall inform the Director of the decision. The decision of the Patent Trial and Appeal Board shall constitute the final refusal of the patent application. Any such petition for a derivation proceeding that has been instituted under subsection (a)(5) shall be treated as business confidential information, shall be kept separate from the file of the involved patents or applications, and shall be made available only to Government agencies on written request, or to any person on a showing of need.”

(f) E LIMINATION OF REFERENCES TO INTER- FERENCE AND INTERVIEW.—(1) Sections 134, 135, 138, 139, 306, 314 of title 35, United States Code, are each amended by striking “Board of Patent Appeals and Interferences’’ each place it appears and inserting “Patent Trial and Appeal Board’’.

(2)(A) Sections 146 and 154 of title 35, United States Code, are each amended by—

(i) by striking “an interference” each place it appears and inserting “a derivation proceeding’’; and

(ii) by striking “interference” each additional place it appears and inserting “derivation proceeding’’.

The subparagraph heading for section 146(b)(1)(C) of title 35, United States Code, as amended by this paragraph, is further amended by—

(i) striking “OR” and inserting “OF’’; and

(ii) inserting “SECURITY ORDER” and inserting “SECURITY ORDERS’’.

(3) The section heading for section 134 of title 35, United States Code, is amended to read as follows:

“§ 134. Appeal to the Patent Trial and Appeal Board.’’

(4) The section heading for section 146 of title 35, United States Code, is amended to read as follows:

“§ 146. Civil action in case of derivation proceeding.’’

(5) Section 154(b)(1)(C) of title 35, United States Code, is amended by striking “INTER- FERENCE’’ and inserting “DERIVATION PROCEEDING’’.

(6) The item relating to section 6 in the table of sections for chapter 1 of title 35, United States Code, is amended to read as follows:

“6. Patent Trial and Appeal Board.’’

(7) The items relating to sections 134 and 135 in the table of sections for chapter 13 of title 35, United States Code, are each amended—

(a) in the second column of the table of sections for chapter 13 of title 35, United States Code, is amended to read as follows:

“134. Appeal to the Patent Trial and Appeal Board.’’

“135. Derivation proceedings.’’

(8) The item relating to section 146 in the table of sections for chapter 13 of title 35, United States Code, is amended to read as follows:

“146. Civil action in case of derivation proceeding.’’
(k) False Marking.—(1) In General.—Section 292 of title 35, United States Code, is amended—
   (A) in subsection (a), by adding at the end the following:
   “Only the United States may sue for the penalty authorized by this subsection.’’; and
   (B) by striking subsection (b) and inserting the following:
   “(b) Any person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.’’.

(2) Effective Date.—The amendments made by this subsection shall apply to all cases, without exception, pending on or after the date of the enactment of this Act.

(l) Statute of Limitations.—(1) In General.—Section 32 of title 35, United States Code, is amended by inserting between the third and fourth sentences the following: ‘‘A proceeding under this section shall be commenced not later than the earlier of either 10 years after the date on which the misconduct forming the basis for the proceeding occurred, or 1 year after the date on which the misconduct forming the basis for the proceeding is made known to an officer or employee of the Office as prescribed in the regulations established under section 3(b)(2).

(2) Report to Congress.—The Director shall provide on a biennial basis to the Judiciary Committees of the Senate and House of Representatives a report providing a short description of incidents made known to an officer or employee of the Office as prescribed in the regulations established under section 3(b)(2), and a comparison of the dates at which such incidents were made known to an officer or employee of the Office and the dates on which the misconduct forming the basis for the proceeding occurred.

(m) Small Business Study.—(1) Definitions.—In this subsection—
   (A) ‘‘General Counsel’’ means the General Counsel for Advocacy of the Small Business Administration;
   (B) the term ‘‘General Counsel’’ means the General Counsel of the United States Patent and Trademark Office; and
   (C) the term ‘‘small business concern’’ has the meaning given that term under section 3 of the Small Business Act (15 U.S.C. 632).

(2) Study.—(A) In General.—The Chief Counsel, in consultation with the General Counsel, shall conduct a study of the effects of eliminating the use of dates of invention in determining whether an applicant is entitled to a patent under title 35, United States Code.

   (B) Areas of Study.—The study conducted under subparagraph (A) shall include examination of the effects of eliminating the use of invention dates, including examining—
   (i) how the change would affect the ability of small business concerns to obtain patents and their costs of obtaining patents;
   (ii) whether the change would create, mitigate, or exacerbate any disadvantage for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns, and whether it would change any advantages for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns;
   (iii) the cost savings and other potential benefits to small business concerns of the change; and
   (iv) the feasibility and costs and benefits to small business concerns of alternative means of determining whether an applicant is entitled to a patent under title 35, United States Code.

   (3) Report.—Not later than 1 year after the date of enactment of this Act, the Chief Counsel shall submit to the Committee on Small Business and Entrepreneurship and the Committee on the Judiciary of the Senate and the Committee on Small Business and Entrepreneurship and the Committee on the Judiciary of the House of Representatives a report regarding the results of the study under paragraph (2).

   (m) Prior User Rights.—(1) In General.—Not later than 1 year after the date of the enactment of this Act, the Director shall report, to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives, the findings and recommendations of the Director on the operation of prior user rights in the United States and in the United Kingdom, Canada, and Australia.

   (B) An analysis of the effect of prior user rights on innovation rates in the selected countries.

   (C) An analysis of the correlation, if any, between prior user rights and start-up enterprises and the ability to attract venture capital to start new companies.

   (D) An analysis of the effect of prior user rights, if any, on small businesses, universities, and individual inventors.

   (E) An analysis of legal and constitutional issues, if any, that arise from placing trade secret law in patent law.

   (F) An analysis of whether the change to a first-to-file patent system creates a particular need for prior user rights.

   (2) Consultation with Other Agencies.—In preparing the report required under paragraph (1), the Director shall consult with the United States Patent and Trademark Office, the Secretary of State, and the Attorney General.

   (o) Effective Date.—(1) (B) is under an obligation to assign the invention but has refused to make the oath or declaration required under subsection (a).

   (2) Required Statements.—An oath or declaration under subsection (a) shall contain statements that—
   ‘‘(i) the application was made or was authorized to be made by the affiant or declarant; and
   ‘‘(ii) such individual believes himself or herself to be the original inventor or an original joint inventor of a claimed invention in the application.’’

   (3) Contents.—A substitute statement under this subsection shall contain—
   ‘‘(i) the affiant or declarant is not the inventor or a joint inventor of the claimed invention in the application; and
   ‘‘(ii) the substitute statement is in lieu of the oath or declaration under subsection (a).’’

   (p) Effective Date.—The amendments made by this subsection shall take effect on the date of the enactment of this Act.

(q) Small Business Study.—(1) Definitions.—In this subsection—
   (A) ‘‘General Counsel’’ means the General Counsel for Advocacy of the Small Business Administration;
   (B) the term ‘‘General Counsel’’ means the General Counsel of the United States Patent and Trademark Office; and
   (C) the term ‘‘small business concern’’ has the meaning given that term under section 3 of the Small Business Act (15 U.S.C. 632).

   (2) Study.—(A) In General.—The Chief Counsel, in consultation with the General Counsel, shall conduct a study of the effects of eliminating the use of dates of invention in determining whether an applicant is entitled to a patent under title 35, United States Code.

   (B) Areas of Study.—The study conducted under subparagraph (A) shall include examination of the effects of eliminating the use of invention dates, including examining—
   (i) how the change would affect the ability of small business concerns to obtain patents and their costs of obtaining patents;
   (ii) whether the change would create, mitigate, or exacerbate any disadvantage for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns, and whether it would change any advantages for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns;
   (iii) the cost savings and other potential benefits to small business concerns of the change; and
   (iv) the feasibility and costs and benefits to small business concerns of alternative means of determining whether an applicant is entitled to a patent under title 35, United States Code.

   (3) Report.—Not later than 1 year after the date of enactment of this Act, the Chief Counsel shall submit to the Committee on Small Business and Entrepreneurship and the Committee on the Judiciary of the Senate and the Committee on Small Business and Entrepreneurship and the Committee on the Judiciary of the House of Representatives a report regarding the results of the study under paragraph (2).

   (m) Prior User Rights.—(1) In General.—Not later than 1 year after the date of the enactment of this Act, the Director shall report, to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives, the findings and recommendations of the Director on the operation of prior user rights in the United States and in the United Kingdom, Canada, and Australia.

   (B) An analysis of the effect of prior user rights on innovation rates in the selected countries.

   (C) An analysis of the correlation, if any, between prior user rights and start-up enterprises and the ability to attract venture capital to start new companies.

   (D) An analysis of the effect of prior user rights, if any, on small businesses, universities, and individual inventors.

   (E) An analysis of legal and constitutional issues, if any, that arise from placing trade secret law in patent law.

   (F) An analysis of whether the change to a first-to-file patent system creates a particular need for prior user rights.

   (2) Consultation with Other Agencies.—In preparing the report required under paragraph (1), the Director shall consult with the United States Patent and Trademark Office, the Secretary of State, and the Attorney General.

   (o) Effective Date.—(1) (B) is under an obligation to assign the invention but has refused to make the oath or declaration required under subsection (a).

   (2) Required Statements.—An oath or declaration under subsection (a) shall contain statements that—
   ‘‘(i) the application was made or was authorized to be made by the affiant or declarant; and
   ‘‘(ii) such individual believes himself or herself to be the original inventor or an original joint inventor of a claimed invention in the application.’’

   (3) Contents.—A substitute statement under this subsection shall contain—
   ‘‘(i) the affiant or declarant is not the inventor or a joint inventor of the claimed invention in the application; and
   ‘‘(ii) the substitute statement is in lieu of the oath or declaration under subsection (a).’’

   (p) Effective Date.—The amendments made by this subsection shall take effect on the date of the enactment of this Act.
118. Filing by other than inventor

"A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent in the United States on behalf of the assignee or proponent interest in the matter may make an application for patent on behalf of and as agent for the inventor on proof of the pertinent facts in such application is appropriate to preserve the rights of the parties. If the Director grants a patent on an application filed under this section by a person other than the inventor, the patent shall be granted to the real party in interest and upon such notice to the inventor as the Director considers appropriate.

(2) CONFORMING AMENDMENT.—Section 251 of title 35, United States Code, is amended in the third undesignated paragraph by inserting "or declaration, or other statement equivalent to an oath or declaration meeting the requirements of subsection (d) was filed in connection with the earlier-filed application;"

"(b) SUPPLEMENTAL AND CORRECTED STATEMENTS; FILING ADDITIONAL STATEMENTS.—Notwithstanding paragraph (1), the Director may require that a copy of the executed oath or declaration, the substitute statement, or the assignment filed in the earlier-filed application be included in the later-filed application.

"(c) ADVICE OF COUNSEL.—Chapter 29 of title 35, United States Code, is amended to read as follows:

119. Personal Defense

"(a) DEFENSE OF INFRINGEMENT BASED ON EARLIER INVENTOR.—Section 273(b)(6) of title 35, United States Code, is amended to read as follows:

"(b) VIRTUAL MARKING.—Section 287(a) of title 35, United States Code, is amended by inserting ", or by fixing thereon the word 'patent' or the abbreviation 'pat.' together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when.

"(c) ADVICE OF COUNSEL.—Chapter 29 of title 35, United States Code, is amended by adding at the end the following:

120. Effective Date.

"The amendments made by this section shall apply to any civil action commenced on or after the date of the enactment of this Act.

SEC. 5. POST-GRANT REVIEW PROCEEDINGS.

(a) INTER PARTES REVIEW.—Chapter 31 of title 35, United States Code, is amended to read as follows:

"CHAPTER 31—INTER PARTES REVIEW

311. Subject to the provisions of this chapter, a person who is not the patent owner or assignee of a patent may file with the Director a petition to institute an inter partes review for a patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review. Inter partes review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

312. Scope.—A petition in an inter partes review may require that the challenged patent be held unpatentable 1 or more claims of a patent on a ground that could not have been raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

313. Filing Deadline.—A petition for inter partes review shall be filed after the later of—

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

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

314. Preliminary Response to Petition.

"(a) REQUIREMENTS OF PETITION.—A petition filed under section 311 may be considered only if—

"(1) the petition is accompanied by payment of the fee established by the Director under section 312; and

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

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

"(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

"(B) summaries or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;
“(4) the petition provides such other information as the Director may require by regulation; and

“(5) the petitioner provides copies of any of the documents described under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

“(b) PUBLIC AVAILABILITY.—As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

§ 313. Preliminary response to petition

(a) Threshold.—If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response within a time period set forth by the Director.

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

§ 314. Institution of inter partes review

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

(b) Director shall determine whether to institute an inter partes review under this chapter within 3 months after receiving a preliminary response under section 313 on whether to file, within three months after the expiration of the time for filing such a response.

(c) NOTICE.—The Director shall notify the petitioner and the patent owner in writing of the Director’s determination under subsection (a), and shall make such notice available to the public as soon as is practicable.

§ 315. Relation to other proceedings or actions.

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

(b) Extensive Discovery Action.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 6 months after the date on which the petitioner, real party in interest, or his or her attorney was served with a complaint alleging infringement of a claim of the patent.

(c) JOINDER.—If the Director institutes an inter partes review, the Office may terminate the inter partes review as to any petitioner under this section, no estoppel under section 315(e) shall apply to that petitioner under this section, no estoppel under section 315(e) shall apply to the patent owner in support of any amendment of the patent or proposed new claim, and shall be made available to the public as part of the prosecution history of the patent.

(d) AMENDMENT OF THE PATENT.—An inter partes review instituted under this chapter shall be final and nonappealable.

§ 316. Conduct of the proceeding

(a) IN GENERAL.—An inter partes review instituted under this chapter shall be final and nonappealable.

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

(c) JOINDER.—If the Director institutes an inter partes review under this chapter, or his real party in interest or privy, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission that a claim in a patent is invalid in any ground that the petitioner raised or reasonably could have raised during an inter partes review of the claim that resulted in a final written decision under section 318(a).

§ 317. Settlement

(a) IN GENERAL.—An inter partes review instituted under this chapter shall be final and nonappealable.

(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in this section, shall be in writing.

(c) FILING OF AGREEMENTS.—Any agreement or understanding between the patent owner and any new claim added under section 316(d).

(1) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notifies the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of jointed inter partes reviews.

(2) CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the efficient administration of the Patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

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

(d) AMENDMENT OF THE PATENT.—(1) In general.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) Substitute for each challenged claim a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the petition of the patent owner or the Director, or in the case of joinder under section 315(c), and shall be made available to the public as soon as is practicable.

(e) EVIDENTIARY STANDARDS.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving by a preponderance of the evidence the validity of any ground that the petitioner raised or otherwise could have raised during an inter partes review of the claim that resulted in a final written decision under section 318(a).

§ 318. Decision of the board

(a) Final Written Decision.—If an inter partes review instituted under this chapter is terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall apply to that petitioner. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in this section, shall be in writing.

(c) FILING OF AGREEMENTS.—Any agreement or understanding between the patent owner and any new claim added under section 316(d).

(1) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notifies the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of jointed inter partes reviews.

(2) CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the efficient administration of the Patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

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

(d) AMENDMENT OF THE PATENT.—(1) In general.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) Substitute for each challenged claim a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the petition of the patent owner or the Director, or in the case of joinder under section 315(c), and shall be made available to the public as soon as is practicable.

(e) EVIDENTIARY STANDARDS.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving by a preponderance of the evidence the validity of any ground that the petitioner raised or otherwise could have raised during an inter partes review of the claim that resulted in a final written decision under section 318(a).
“(b) Certificate.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

“(c) Data on Length of Review.—The Patent and Trademark Office shall make available to the public the data describing the length of time that a request for inter partes reexamination is reviewed and the conclusion of that review.

§ 319. Appeal

“A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 314 through 314h. Any party to the inter partes reexamination would have the right to be a party to the appeal.”

(b) Technical and Conforming Amendment.—The table of chapters for part III of title 35, United States Code, is amended by striking the item relating to chapter 31 and inserting the following:

“31. Inter Partes Reexamination [ begun ]”.

(c) Exception.—The provisions of chapter 31 of title 35, United States Code, as amended by subsection (a) of this section.

(2) Applicability.—

(A) In General.—The amendments made by subsection (a) shall take effect on the date that is 1 year after the date of enactment of this Act, and shall apply to all patent reexamination proceedings that are filed prior to the effective date of subsection (a).

(B) Exception.—The provisions of chapter 31 of title 35, United States Code, as amended by paragraph (3), shall continue to apply to requests for inter partes reexaminations that are filed prior to the effective date of subsection (a) as if subsection (a) had not been enacted.

(3) Graduated Implementation.—The Director may impose a limit on the number of inter partes reexaminations that may be instituted during each of the first 4 years following the effective date of subsection (a), provided that such number shall in each year be equivalent to or greater than the number of inter partes reexaminations that are ordered in the last full fiscal year prior to the effective date of subsection (a).

(4) Transition.—

(A) In General.—Chapter 31 of title 35, United States Code, is amended—

(1) in section 312—

(i) in subsection (a)—

(aa) in the first sentence, by striking “a substantial new question of patentability affecting the patentability of the patent,” and inserting —

“the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.”

(bb) in the second sentence, by striking “The petition or request because, the same or substantially the prior art or arguments previously were presented to the Office,” and inserting —

“The petition or request because, the same or substantially the prior art or arguments previously were presented to the Office.”

(ii) in section 313, by striking “a substantial new question of patentability affecting the patentability of the patent,” and inserting —

“The petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.”

(B) Affidavits or Declarations of Supporting Evidence and Opinions, if the Petitioner relies on other factual evidence or on expert opinions; and

(C) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(P) Public Availability.—As soon as practicable after the receipt of a petition under section 321, the Director shall make the petition available to the public.

§ 322. Petitions

(a) Requirements of Petition.—A petition filed under section 321 shall be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 322.

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

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

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on other factual evidence or expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(6) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(B) Public Availability.—As soon as practicable after the receipt of a petition under section 321, the Director shall make the petition available to the public.

§ 323. Preliminary Response

(a) Preliminary Response.—If a post-grant review petition is filed under section 321, the patent owner shall have the right to file a preliminary response within 2 months of the filing of the petition.

(b) Content of Response.—A preliminary response to a petition for post-grant review forthwith on request shall be in writing and review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

§ 324. Institution of Post-grant Review

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

(b) Additional Grounds.—The determination required under subsection (a) may also be satisfied by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications.

(c) Timing.—The Director shall determine whether or not to institute a post-grant review under this chapter within 3 months after receiving a preliminary response under section 323 or, if none is filed, the expiration of the time for filing such a response.
privacy, may not request or maintain a proceeding before the Office with respect to a claim on any ground that the petitioner raised or reasonably could have raised during a post-grant review of the claim that resulted in a final written decision under section 328(a).

§ 326. Conduct of post-grant review

(a) REGULATIONS.—The Director shall prescribe regulations—

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be accompanied by a motion to seal, and such petition or document shall be treated as sealed pending the outcome of the ruling on the motion;

(2) establishing procedures for the showing of sufficient grounds to institute a review under subsections (a) and (b) of section 324;

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) in accordance with section 2(b)(2), establishing and governing a post-grant review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to evidence inherent to the petition or document filed with the Office, any additional evidence advanced by either party in the proceeding;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper conduct during a post-grant review or in connection with a proceeding to which that party is a party or to cause unnecessary delay or an unnecessary increase in the cost of the proceedings;

(7) providing for protective orders governing the exchange and submission of confidential information;

(b) allowing the patent owner to file a response to the petition after a post-grant review has been instituted, and requiring that the patent owner file with such response, through publication, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(c) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and enum-

eralizing that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the proceedings history of the patent;

(d) providing either party with the right to an oral hearing as part of the proceeding; and

(e) requiring that the final determination in any post-grant review be issued not later than 1 year after the date on which the Director notifies the institution of a proceeding under this chapter, except that the Director may, for good cause shown, extend the期限 of counsel by 1 year, and may adjust the time periods in this paragraph in the case of joinder under section 328(c).

§ 327. Settlement

(a) IN GENERAL.—A post-grant review instituted under this chapter shall be termi-

nated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the post-grant review is terminated with respect to a petitioner under this section, no estoppel by judgment shall be available to that petitioner. If no petitioner remains in the post-grant review, the Office may terminate the post-grant review or proceed to a final written decision.

(b) AGREEMENTS IN WRITING.—Any agree-

ment or understanding made in connection with, or in contemplation of, the termina-

tion of a post-grant review under this section shall be in writing, and a true copy of such agreement or understanding shall be filed in the Office before the termination of the post-grant review as between the parties. If any party filing such agreement or understanding so requests, the copy shall be kept separate from the file of the post-grant review, may only be made available to Federal Government agencies upon written request, or to any other person on a showing of good cause.

§ 329. Determination of the board

(a) FINAL WRITTEN DECISION.—If a post-

grant review is instituted and not dismissed under this chapter, the Patent Trial and Ap-

peal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent fi-

led by the Office or held by the Director, and may adjust the time periods in this paragraph in the case of joinder under section 328(c).

(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision
“(2) statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent;”

“(b) OFFICIAL FILE.—If the person citing prior art or written statements pursuant to subsection (a) explains in writing the pertinence of any patent, application, or written statements to at least 1 claim of the patent, the citation of the prior art or written statements to which the explanation referred thereon shall become a part of the official file of the patent.

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

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

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

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

(h) REEXAMINATION.—

(1) DETERMINATION BY DIRECTOR.—

(A) IN GENERAL.—Section 303(a) of title 35, United States Code, is amended by striking “section 303 of this title” and inserting “section 301 or 302”.

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

(i) INTER PARTES REVIEW.—

(1) IN GENERAL.—Any third party may request inter partes review who is dissatisfied with the decision of the Patent Trial and Appeal Board in a derivation proceeding who is dissatisfied with the decision of the Board of Patent Appeals and Interferences or the Patent Trial and Appeal Board on or after the date of the enactment of this Act.

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

(1) the extension of jurisdiction to the United States Court of Appeals for the Federal Circuit to entertain appeals of decisions of the Patent Trial and Appeal Board in reexaminations under the amendment made by subsection (a)(2) shall have effect on the date of enactment of this Act and shall extend to any decision of the Board of Patent Appeals and Interferences with respect to a reexamination that is entered before, on, or after the date of the enactment of this Act;

(2) the provisions of sections 6, 134, and 141 of title 35, United States Code, in effect on the day prior to the date of the enactment of this Act shall remain in effect, except that appeals of decisions of the Board of Patent Appeals and Interferences for purposes of appeals of inter partes reexaminations that are requested under section 311 prior to the date that is 1 year after the date of the enactment of this Act;

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

(4) the Director’s right under the last sentence of section 143 of title 35, United States Code, amended by this Act, to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board shall be deemed to extend to inter partes reexaminations that are requested under section 311 prior to the date that is 1 year after the date of the enactment of this Act.

“SECTION 7. PREISSUANCE SUBMISSIONS BY THIRD PARTIES.—

(a) IN GENERAL.—Section 122 of title 35, United States Code, is amended by adding at the end thereof:

“(e) PREISSUANCE SUBMISSIONS BY THIRD PARTIES.—

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

“(B) the later of—

“(1) 30 days after the date on which the application for patent is first published under section 122 by the Office, or

“(ii) the date of the first rejection under section 129 of the Patent Act by the examiner during the examination of the application for patent.

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

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

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

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

“SEC. 9. FEE SETTING AUTHORITY.

“(a) FEE SETTING.—

“(1) IN GENERAL.—The Director shall have authority to set or adjust by rule any fee established or charged under title 35, United States Code, and the Trademark Act of 1946 (15 U.S.C. 1071 et seq.), notwithstanding the fees or fees amounts are in the aggregate set to expire that shall not be available for obligations or expenditures.

“(2) SMALL AND MICRO ENTITIES.—

“(A) IN GENERAL.—Notwithstanding any other provision of this section, a fee of $400 shall be established for each application for an original patent, except for a design, plant, or provisional application, that is filed by a small entity that qualifies for reduced fees under section 41(d)(1)(A) of title 35, United States Code, and the Trademark Act of 1946.

“(B) FEES FOR PATENT SERVICES.—Division B of Public Law 108–447 is amended in title VIII of the Departments of Commerce, Justice, and State, the Judiciary and Related Agencies Appropriations Act, 2005, in section 803, by striking ‘‘During fiscal years 2005 and 2006’’.

“(C) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to affect any other provision of this Act.

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

“SEC. 10. SUPPLEMENTAL EXAMINATION.

“(a) IN GENERAL.—A patent owner may request, at any time before the patent is issued, a supplemental examination of a patent in the Office to consider, reconsider, or correct information believed to be relevant to
the patent. Within 3 months of the date a request for supplemental examination meeting the requirements of this section is received, the Director shall conduct the supplemental examination and shall conclude such examination by issuing a certificate indicating whether the information presented in the request raises a substantial new question of patentability identified during the supplemental examination, notwithstanding the limitations therein relating to patents and printed publication or any other provision of chapter 30.

(c) EFFECT.—

(1) IN GENERAL.—A patent shall not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, was incorrectly in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination relating to information that had not been considered, reconsidered, or corrected pursuant to a supplemental-examination request under subsection (a) unless the supplemental examination was conducted according to procedures established by the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(j)(2)(B)(iv)(II)), except that the patent owner shall not have the right to file a statement pursuant to section 304 during the supplemental examination, the Director shall address any new question of patentability identified during the supplemental examination, notwithstanding the limitations therein relating to patents and printed publication or any other provision of chapter 30.

(2) EXCEPTIONS.—

(A) PRIOR ALLEGATIONS.—This subsection shall not apply to an allegation pled with particularity, or set forth with particularity in a notice received by the patent owner under subsection (b)(5)(x)(v)(II) of this Act to the Director for the purpose of challenging the validity of the patent or the information was considered, reconsidered, or corrected during a supplemental examination of the patent. The making of an allegation in such a prior proceeding shall not be relevant to enforceability of the patent under section 282.

(B) PATENT ENFORCEMENT ACTIONS.—In an action brought under section 337(a) of the Tariff Act of 1930 (19 U.S.C. 1337(a)), or section 205 of this title, by the United States against the respondent, there shall be no defense based on information which was considered, reconsidered, or corrected during a supplemental examination of the patent. The making of an allegation in such a prior proceeding shall not be relevant to enforceability of the patent under section 282.

(3) FEES AND REGULATIONS.—The Director shall, by regulation, establish fees for the submission of a request for supplemental examination of a patent, and to consider each item of information submitted in the request. If reexamination is ordered pursuant to subsection (a), fees established and applicable to the prior reexamination proceedings under section 304(f) shall be paid in addition to any fees applicable to supplemental examination.

The Director shall promulgate regulations governing the form, content, and other requirements of requests for supplemental examination, and establishing procedures for conducting review of information submitted in such requests.

(e) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to imply that any other method is patentable or that other business-method patents are valid.

(d) EFFECTIVE DATE; APPLICABILITY.—This section shall take effect on the date of enactment of this Act and shall apply to any patent issued on or after that date.

(e) EXCLUSION.—This section does not apply to matters relating to the application of the patent to applications for patent issued on or after that date.

(f) STATE INSTITUTIONS OF HIGHER EDUCATION.—

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

(A) the applicant’s employer, from which the applicant derives more than 50 percent of the applicant’s gross income, is a State public institution of higher education, as defined in section 102 of the Higher Education Act of 1965 (20 U.S.C. 102); or

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

(2) DIRECTOR’S AUTHORITY.—The Director may establish, modify, or establish exceptions to the regulations under this section.

(3) EFFECT.—This section shall take effect on the date of enactment of this Act.
shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or
("B") any requirement of section 251.
(2) CONFORMING AMENDMENT.—Sections 119(e)(1) and 120 of title 35, United States Code, are each amended by striking "the first paragraph of section 132" and inserting "section 112(a)(other than the requirement to disclose the best mode)",
(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act and shall apply to proceedings commenced on or after that date.

SEC. 16. TECHNICAL AMENDMENTS.

(a) JOINT INVENTIONS.—Section 116 of title 35, United States Code, is amended—
(1) in the first paragraph, by striking "a joint inventor" and inserting "(b) OMITTED INVENTOR.—If a joint inventor"; and
(2) in the second paragraph, by striking "If a joint inventor" and inserting "(b) OMITTED INVENTOR.—If a joint inventor"; and
(3) in the third paragraph—
(A) by striking "Whenever" and inserting "(c) CORRECTION OF ERRORS IN APPLICATION.—When";
(B) by striking "and such error arose without any deceptive intent on his part.",
(c) FILING OF APPLICATION IN FOREIGN COUNTRY.—Section 112 of title 35, United States Code, is amended—
(1) in the first paragraph—
(A) by striking "Except when" and inserting "(a) IN GENERAL.—When";
(B) and by striking "and without deceptive intent";
(2) in the second paragraph, by striking "The term" and inserting "(b) APPLICATION.—The term"; and
(3) in the third paragraph, by striking "the provisions" and inserting "(c) MODIFICATIONS, AMENDMENTS, AND SUPPLEMENTS.—The scope";
(d) FILING WITHOUT A LICENSE.—Section 185 of title 35, United States Code, is amended by striking "and without deceptive intent";
(e) REISSUE OF DEFFICET PATENTS.—Section 251 of title 35, United States Code, is amended—
(1) in the first paragraph—
(A) by striking "Whenever" and inserting "(a) E RRORED PATENT.—Whenever";
(B) by striking "without any deceptive intention";
(2) in the second paragraph, by striking "The provisions" and inserting "(b) MULTIPLE REISSUED PATENTS.—The Director";
(3) in the third paragraph, by striking "The provisions" and inserting "(c) APPLICABILITY OF THIS TITLE.—The provisions"; and
(4) in the last paragraph, by striking "No reissued patent" and inserting "(d) REISSUE PATENT ENLARGING SCOPE OF CLAIMS.—No re-issued patent"
(f) EFFECT OF REISSUE.—Section 253 of title 35, United States Code, is amended—
(1) in the first paragraph, by striking "Whenever" and inserting "(a) E RRORED PATENT.—Whenever"; and
(B) by striking "without any deceptive intention" and inserting "(a) IN GENERAL.—Whenever"; and
(2) in the second paragraph, by striking "in like manner" and inserting "(b) ADDITIONAL DISCLAIMER OR DEDICATION.—In the manner set forth in subsection (a),
(3) CONSUMER.-.—Section 255 of title 35, United States Code, is amended—
(1) in the first paragraph, by striking "Whenever" and inserting "(a) E RRORED PATENT.—Whenever"; and
(B) by striking "and such error arose without any deceptive intention on his part"; and
(2) in the second paragraph, by striking "The error" and inserting "(b) PATENT VALID IF ERROR CORRECTED.—The error".

SEC. 17. CLARIFICATION OF JURISDICTION.

(a) SIGNS OF TITLE.—This section may be cited as the "Signs of Title Property Jurisdiction Clarification Act of 2011.
(b) STATE COURT JURISDICTION.—Section 130(b) of title 28, United States Code, is amended by striking the second sentence and inserting the following: "No State court shall have jurisdiction over any claim for relief arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under any Act of Congress relating to patents or plant variety protection
(c) COURT OF APPEALS FOR THE FEDERAL CIRCUIT.—Section 1295(a)(1) of title 28, United States Code, is amended to read as follows:
"(1) of an appeal from a final decision of a district court of the United States, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, in any civil action in which a party has asserted a compulsory counterclaim arising under any Act of Congress relating to patents or plant variety protection
(d) REMOVAL.—
(1) IN GENERAL.—Chapter 99 of title 28, United States Code, is amended by adding at the end the following new section:
"§ 1454. Patent, plant variety protection, and copyright cases
"(a) IN GENERAL.—A civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights may be removed to the district court of the United States for the district and division embracing the place where such action is pending.
(2) SPECIAL RULES.—The removal of an action under this section shall be made in accordance with section 1441.
(b) EFFECTIVE DATE.—The amendments made by this section—
"(1) the action may be removed by any party; and
(2) the time limitations contained in section 1446(b) may be extended at any time for cause shown.
(2) DERIVATIVE JURISDICTION NOT REQUIRED.—The court to which a civil action is removed under this section is not precluded from hearing and determining any claim in such civil action because the State court from which such civil action is removed did not have jurisdiction over that claim.
(3) REMAIND.—If a civil action is removed solely under this section, the district court—
"(1) shall remand all claims that are neither a basis for removal under subsection (a) nor within the original or supplemental jurisdiction of the district court under any Act of Congress; and
(2) may, under the circumstances specified in section 1391(c), remand any claims within the supplemental jurisdiction of the district court under section 1367.
(c) TRANSFER BY COURT OF APPEALS FOR THE FEDERAL CIRCUIT.—
(1) IN GENERAL.—Chapter 99 of title 28, United States Code, is amended by adding at the end the following new section:
"§ 1632. Transfer by the Court of Appeals for the Federal Circuit
"When a case is appealed to the Court of Appeals for the Federal Circuit under section 1295(a)(1), and no claim for relief arising under any Act of Congress relating to patents or plant variety protection is the subject of the appeal by any party, the Court of Appeals for the Federal Circuit shall transfer the appeal to the court of appeals for the regional circuit embracing the district from which the appeal has been taken.
(d) CONFORMING AMENDMENT.—The table of sections for chapter 99 of title 28, United States Code, is amended by adding at the end the following new item:
"1632. Transfer by the Court of Appeals for the Federal Circuit.
(1) EFFECTIVE DATE.—The amendments made by this section shall apply to any civil
petition for post-grant review apply to a patent described in the first section of the United States Code, or in a proceeding before the Trademark Act of 1946 (15 U.S.C. 1113). A review of the record shows that the petition raised during a transitional proceeding that resulted in a final written decision. A review of the record shows that the petitioner raised during a transitional proceeding that resulted in a final written decision. A review of the record shows that the petition raised during a transitional proceeding that resulted in a final written decision.

(ii) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.

(b) REVIEW.—A party may take an immediate interlocutory appeal from a district court's decision to ensure consistent application of the law, if such fees are collected by, and payable to, the Director, the Director shall be available until expended''.

(c) REQUEST FOR STAY.—Notwithstanding subsection (a), this subsection and the regulations implemented pursuant to this subsection shall be available for use by the Director without fiscal year limitation.

(2) FUND.—The term ‘‘funds’’ means the United States Patent and Trademark Office Public Enterprise Fund; and

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

(B) any fees collected under section 31 of the Trademark Act of 1946 (15 U.S.C. 1113). (3) EXPENSES.—Amounts deposited into the Fund under paragraph (2) shall be available for use by the Director without fiscal year limitation.


(b) FUNDING.—(1) In GENERAL.—Section 42 of title 35, United States Code, is amended—

(A) in subsection (b), by striking ‘‘Patent and Trademark Office Public Enterprise Fund’’ and inserting ‘‘United States Patent and Trademark Office Public Enterprise Fund’’; and

(B) in subsection (c), in the first sentence—

(i) by striking ‘‘To the extent’’ and all that follows through ‘‘fees’’ and inserting ‘‘Fees’’; and

(ii) by striking ‘‘shall be collected by and shall be available to the Director’’ and inserting ‘‘shall be collected by and shall be available to the Director and shall be available until expended’’.

(c) REQUEST FOR STAY.—Notwithstanding subsection (a), this subsection and the regulations implemented pursuant to this subsection shall take effect on the later of—

(A) the first day of the first fiscal year that begins after the date of the enactment of this Act;

(b) ADMINISTRATIVE TRADEMARK JUDGES.—The Under Secretary of Commerce for Intellectual Property (hereafter in this section referred to as the ‘‘Under Secretary’’). The Director is authorized to appoint such number of administrative trademark judges as determined by the Under Secretary, to perform such other duties as the Director may designate, and to determine the qualifications, training, and standards of personnel employed by the Office.

Sec. 22. FEES COLLECTED UNDER THE TRADEMARK ACT OF 1946.—(a) AUTHORITY TO COVER CERTAIN TRAVEL RELATED EXPENSES.—Section 2(b)(11) of title 35, United States Code, is amended by inserting ‘‘shall be deposited into the United States Treasury at the rate of $15 for the purposes of paying for the travel expenses, including per diem, lodging costs, and transportation costs, of non-federal employees attending such proceedings’’ after ‘‘shall be deposited into the United States Treasury at the rate of $15 for the purposes of paying for the travel expenses, including per diem, lodging costs, and transportation costs, of non-federal employees attending such proceedings’’.

(b) PAYMENT OF ADMINISTRATIVE JUDGES.—Section 3(b) of title 35, United States Code, is amended—

(A) ADMINISTRATIVE PATENT JUDGES AND ADMINISTRATIVE TRADEMARK JUDGES.—The Director has the authority to fix the rate of basic pay for the administrative patent judges appointed pursuant to section 6 of this title and the administrative trademark judges appointed pursuant to section 17 of the Trademark Act of 1946 (15 U.S.C. 1057) at not greater than the rate of basic pay payable for Level III of the Executive Schedule. The payment of a rate of basic pay under this paragraph shall not be subject to the pay limitation of section 5306(e) or 5373 of title 5.

(d) ADMINISTRATION OF FUND.—The Director shall administer the Fund in a manner consistent with the purposes of this Act. The regulations issued pursuant to this paragraph shall be available until expended.

(e) RULE OF CONSTRUCTION.—Nothing in this section shall be construed as amending or interpreting categories of patent-eligible subject matter set forth under section 101.

(1) IN GENERAL.—This subsection and the regulations issued pursuant to this subsection, are repealed effective on the date that is 1 year after the date of enactment of this Act and shall apply to all proceedings commenced on or after the date of enactment of this Act.

(2) EFFECTIVE DATE.—The regulations issued pursuant to paragraph (1) shall take effect on the date that is 1 year after the date of enactment of this Act and shall apply to all proceedings commenced on or after such date of enactment, except that the regulations shall not apply to a patent described in the first sentence of subsection (a) of this Act during the period that a petition for post-grant review of that patent would satisfy the requirements of section 321(e).

(3) APPLICATION.—Notwithstanding subsection (a), the regulations issued pursuant to this subsection shall continue to apply to any petition for a transitional proceeding that is filed prior to the date that this subsection is repealed pursuant to subparagraph (A).

(c) REQUEST FOR STAY.—(1) In general.—If a party raises a ground only on the basis of—

(A) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.

(2) REVIEW.—A party may take an immediate interlocutory appeal from a district court's decision to ensure consistent application of the law, if such fees are collected by, and payable to, the Director, the Director shall be available until expended.

(3) EXPENSES.—Amounts deposited into the Fund under paragraph (2) shall be available for use by the Director without fiscal year limitation.

(4) TRADEMARK ACT OF 1946.—The term ‘‘Trademark Act of 1946’’ means an Act entitled ‘‘Act to provide for the registration and protection of trademarks used in commerce, to establish the provisions of certain international conventions, and for other purposes’’, approved July 5, 1946 (15 U.S.C. 1051 et seq.) (commonly referred to as the ‘‘Trademark Act of 1946’’).

(5) UNDER SECRETARY.—The term ‘‘Under Secretary’’ means the Under Secretary of Commerce for Intellectual Property.

(b) FUNDING.—(1) IN GENERAL.—Section 42 of title 35, United States Code, is amended—

(A) in subsection (b), by striking ‘‘Patent and Trademark Office Public Enterprise Fund’’ and inserting ‘‘United States Patent and Trademark Office Public Enterprise Fund’’; and

(B) in subsection (c), in the first sentence—

(i) by striking ‘‘To the extent’’ and all that follows through ‘‘fees’’ and inserting ‘‘Fees’’; and

(ii) by striking ‘‘shall be collected by and shall be available to the Director’’ and inserting ‘‘shall be collected by and shall be available until expended’’.

(c) REQUEST FOR STAY.—Notwithstanding subsection (a), this subsection and the regulations implemented pursuant to this subsection shall take effect on the later of—

(A) the first day of the first fiscal year that begins after the date of the enactment of this Act;

(b) ADMINISTRATIVE TRADEMARK JUDGES.—The Under Secretary of Commerce for Intellectual Property (hereafter in this section referred to as the ‘‘Under Secretary’’). The Director is authorized to appoint such number of administrative trademark judges as determined by the Under Secretary, to perform such other duties as the Director may designate, and to determine the qualifications, training, and standards of personnel employed by the Office.

Sec. 22. FEES COLLECTED UNDER THE TRADEMARK ACT OF 1946.—(a) AUTHORITY TO COVER CERTAIN TRAVEL RELATED EXPENSES.—Section 2(b)(11) of title 35, United States Code, is amended by inserting ‘‘shall be deposited into the United States Treasury at the rate of $15 for the purposes of paying for the travel expenses, including per diem, lodging costs, and transportation costs, of non-federal employees attending such proceedings’’ after ‘‘shall be deposited into the United States Treasury at the rate of $15 for the purposes of paying for the travel expenses, including per diem, lodging costs, and transportation costs, of non-federal employees attending such proceedings’’.

(b) PAYMENT OF ADMINISTRATIVE JUDGES.—Section 3(b) of title 35, United States Code, is amended—

(A) ADMINISTRATIVE PATENT JUDGES AND ADMINISTRATIVE TRADEMARK JUDGES.—The Director has the authority to fix the rate of basic pay for the administrative patent judges appointed pursuant to section 6 of this title and the administrative trademark judges appointed pursuant to section 17 of the Trademark Act of 1946 (15 U.S.C. 1057) at not greater than the rate of basic pay payable for Level III of the Executive Schedule. The payment of a rate of basic pay under this paragraph shall not be subject to the pay limitation of section 5306(e) or 5373 of title 5.

Sec. 20. PATENT AND TRADEMARK OFFICE FUND.—(a) DEFINITIONS.—In this section, the following definitions shall apply:

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

(2) FUND.—The term ‘‘Fund’’ means the public enterprise revolving fund established under section 2(b).

(3) OFFICE.—The term ‘‘Office’’ means the United States Patent and Trademark Office.
The motion to lay on the table was agreed to.

Mr. LEAHY. Mr. President, it has been many years getting to this point. I cannot tell you the amount of pride I have in my fellow Senators, both Republicans and Democrats. I thank the Senator from Iowa who has been here with me and so many others I mentioned earlier. It is nice to finally have this bill through the Senate.

Mr. KYL. Mr. President, I rise today to recognize and thank the patent lawyers and Senate staff who have played a critical role in the drafting and enactment of the present bill.

Among the Senate staff who have played a role with regard to this bill are Chip Roy, Holt Lackey, and Zina Bash of Senator CORNYN’s staff, David Barlow and Rob Porter of Senator LEE’s staff, Walt Kuhn of Senator GRAHAM’s 2009 committee and mark on, and Bradley Hayes of Senator SSESSIONS’s staff. Special mention is merited for Matt Sandgren of Senator HATCH’S staff, who fought tenaciously for the bill’s supplemental examination provision, and who worked hard to defeat the amendment to strip the bill of its adoption of the first-to-file system, and Sarah Beth Groshart of Senator COBURN’s staff, who helped draft the Coburn amendment, which will create a revolving fund for the PTO and put an end to fee diversion. Past staff who played an important role include Jennifer Duck of Senator FEINSTEIN’s staff, and Ryan Triplette, who managed Mr. Coburn’s staff, while he was chairman and for Senator Specton while he was the lead Republican on the committee. Miss Duck and Miss Triplette negotiated the managers’ amendment that was adopted during the Senate floor vote, which represented a major break-through on this bill, resolving the contentious issues of damages and venue. In the House of Representatives, key staff include Blaine Merritt and Vishal Amin of Chairman LAMAR SMITH’s staff, and Christal Sheppard of Mr. CONTERS’s staff, Bob Schiff of Senator Feingold’s staff worked with my staff to develop minority views for the bill’s 2009 committee report—I believe that this is the only time that Senator Feingold and I ever submitted a minority report together. I should also acknowledge Tim Molino of Senator KLOBuchar’s staff, Rebecca Kelly of Senator SCHUMER’s staff, Caroline Hol- lagh of Senator CORNYN’s staff, and Alan Roehl, who worked in past Congresses for Senator Brownback, and who currently staffs Senator TOOMEY. Much of S. 3600 was drafted in Senator Brownback’s conference room. Let me also recognize the work of Rob Grant of Senate Legislative Counsel, who has drafted literally hundreds of versions of and amendments to this bill. And finally, I must acknowledge Rita Lari, who managed this bill for Senator Grassley on the Senate floor this past week, and the indispensable Aaron Coo- per, who has managed the bills for the chairman since the beginning of 2009.
Among those outside the Senate, I recognize and thank Hayden Gregory of the American Bar Association, Laurie Self and Rod McKelvie of Covington & Burling, and Hans Sauer, Mike Schiffer, Bruce Barton, Matt Rainey, David Calabresi, Carl Horton, Steve Miller, Doug Norman, and Stan Fenley. The Wisconsin Alumni Research Foundation has played an important role, particularly with regard to the bill’s enhanced grace period. I thank Carl Gubbert, Gary Griswold, Howard Bremmer, Andy Cohn, and Mike Remington. I thank Todd Dickinson and Vince Garlock of AIPLA, and Jim Crowne, who was willing to come to the Senate to double check the draft enrolled bill. I should also mention Herb Wamsley of Intellectual Property Owners, as well as Dana Colarulli, who has worn two hats during the course of his work on this bill, first with IPO, and subsequently as the head of legislative affairs at the PTO. Key participants at the PTO have also included Jim Love, Jim Toupin, and Rob Clarke. And of course I must mention the current Director, David Kappos, without whose effort and dedication the passage of the present bill would not have been possible.

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

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

The PRESIDING OFFICER (Mr. BENNET). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

MORNINg BUSINESS

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

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

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

The PRESIDING OFFICER. The Senator is correct.

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

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

THE FEDERAL DEFICIT

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

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

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

Chairman Bernanke is an academician. His expertise is in depression-era economics, how this Nation got into the last depression, how Roosevelt got us out of it. So when he made that statement, it was all the more chilling. It is from that moment in 2008, before this President took office and Democratics were in full control here, that, in fact, we were facing the challenges we are today.

Those of us who believe in a free market also know you cannot have a free-for-all market. We had economic policies for the Bush 8 years, two wars raging abroad, an unregulated market that allowed for the free-for-all that brought us on the brink of a new depression, and that is what we are meeting the challenges of today.

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

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

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

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

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

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