Staff present: Sean McLaughlin, Chief of Staff;
Allison Halatei, Deputy Chief of Staff/Parliamentarian;
Sarah Kish, Clerk; Perry Apelbaum, Minority Staff Director;
and Chrystal Sheppard.
Chairman Smith. [Presiding] The Judiciary Committee will come to order.

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

The clerk will call the role to establish a quorum.

Ms. Kish. Mr. Smith?

Chairman Smith. Present

Ms. Kish. Mr. Sensenbrenner?

Mr. Sensenbrenner. Here.

Ms. Kish. Mr. Coble?

Mr. Gallegly?

Mr. Goodlatte?

Mr. Lungren?

Mr. Chabot?

Mr. Issa?

Mr. Pence?

Mr. Forbes?

Mr. King?

Mr. Franks?

Mr. Gohmert?

Mr. Gohmert. Here

Ms. Kish. Mr. Jordan?
Mr. Poe?
Mr. Chaffetz?
Mr. Griffin?
Mr. Marino?
Mr. Gowdy?
Mr. Ross?
Ms. Adams?
Mr. Quayle?
Mr. Conyers?
Mr. Berman?
Mr. Nadler?
Mr. Scott?
Mr. Watt?

Mr. Watt. Present.
Ms. Kish. Ms. Lofgren?
Ms. Lofgren. Present.
Ms. Kish. Ms. Jackson Lee?
Ms. Kish. Ms. Waters?
Mr. Cohen?
Mr. Johnson?
Mr. Pierluisi?
Mr. Quigley?
Mr. Quigley. Here.
Ms. Kish. Ms. Chu?
Ms. Chu. Present.
Ms. Kish. Mr. Deutch?
Ms. Sanchez?
Ms. Wasserman Schultz?
Chairman Smith. The gentleman from Arizona?
Mr. Quayle. Here.
Chairman Smith. The gentleman from Illinois? Oh,
have you recorded yourself? Okay.
Chairman Smith. How is the gentleman from Michigan
the gentlewoman from California recorded?
Ms. Kish. Not recorded, sir.
Chairman Smith. The gentlewoman from California?
Ms. Sanchez. Present.
Chairman Smith. And the gentleman from Michigan?
Mr. Conyers. Present.
Chairman Smith. Is present.
The clerk will report.
Ms. Kish. Mr. Chairman, 15 members responded present.
Chairman Smith. A working quorum is present and we
will proceed.

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

Ms. Kish. “H.R. 1249, to amend Title 35, United States Code, to provide for patent reform.”

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

[The information follows:]
Chairman Smith. And I will begin by recognizing myself for an opening statement and then the ranking member.

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

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

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

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

The patent system envisioned by our Founders focused on granting a patent to be awarded to the first inventor to register their invention as long as it was not in public use when the inventor conceived of their invention. There are some who look at this bill thinking that it will hurt small business and independent inventors, but this bill was designed to ensure that these inventors are able to compete with the larger companies and globally which the current
system does not enable them to do. This bill includes new programs at the PTO that will reduce litigation costs and create true patent certainty.

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

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

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

For example, at their request, the bill doesn’t address many litigation reform issues because the courts are addressing these issues through decisions on damages, venue, and other subjects. In a response to a request from tech firms, this bill lengthens the filing deadlines for post-
grant opposition and inter partes reexam and enhances prior
user rights in ways that manage to preserve the support of the other stakeholders.

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

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

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

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

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

Now, we have been working on patent reform for 6 years, and it is important that we come here today with as
open minds to the issues that will be taken up as possible.
There have been a lot of work and innumerable meetings and
subgroup sessions and after-voting-hours activity devoted to
how we approach and deal with these issues.
I must say to my surprise we have made some progress
in this area -- in a number of areas on the bill in general.
But there is a concern that I would like to raise.
The director of the Patent and Trade Office’s
authority to set fees sunsets after 4 years. Now, no
business can do any long-term planning with such a
restriction. And so I would like every member of this
committee to apply their business experience to a
restriction such as that. The foundation of the Patent and
Trademark Office is crumbling. It is the front line in our
effort to improve patent quality, and one way to help secure
the foundation is to provide a mechanism for the Trade
Office to coordinate fees with the actual expenses that are
required to review the patents. So providing the office
with the authority to set fees and to take that authority
away after 4 years is self-defeating. The authority has
significant congressional and stakeholder oversight. So I
see no reason for that limitation.
Now, the next issue I would like to raise is the expansion of the transitional business method patent post-grant provision from 4 years to 10 years. This provision, I think after the discussion today, will show that it moves in the wrong direction. And I remain concerned about the retroactive application of the provision, and the manager's amendment compounds the problem by putting patent owners under a cloud of litigation for 6 additional years, even those patent owners who have already gone through prior reexamination or court proceedings and have been found to have valid patents. And so representatives from influential, nonfinancial services, and entities such as Procter & Gamble have publicly stated that this is not a good provision.

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

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

Mr. Conyers. Thank you, sir.

Finally, the final thing that is of concern to me is the creation of a 3-year safe harbor for companies accused of falsely marking their products. This provision, prior to the manager's amendment, already harmed settled expectation
because it applied retroactively. Providing a safe harbor for expired patents only compounds the retroactivity problem by ensuring that almost all ongoing litigation will be elimi

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

And I thank you for your generosity.

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

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

Mr. Watt. Thank you, Mr. Chairman, and I thank the
chairman for taking me up on my suggestion 13 days ago to
convene various stakeholders in yet another attempt to
reconcile divisions that have persistently paralyzed
progress on getting a bill on patent reform. At his
request, representatives from several industries came
together and constructively hashed out some of the remaining
differences that they had.

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

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

Innovation and creativity are the cornerstones of
American enterprise. Our Nation’s economy is on the mend,
but we have an unique opportunity to breathe new life into the economy and make it stronger.

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

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

I believe the manager's amendment reflects a reasonable accommodation on prior user rights. Providing a defense for innovators to reduce a product to prior domestic commercial use while maintaining the exclusionary rights that inure to a subsequently filed patent is good policy,
and I am happy to see it in the bill. Virtually every other country that operates under a first-to-file system recognizes the benefits to the public from prior user rights.

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

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

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

Mr. Conyers. Mr. Chairman?

Chairman Smith. Just a minute. I want to thank Mr. Watt for his statement. For what purposes does the ranking member wish to be heard?
Mr. Conyers. An inquiry, please. If it pleases the chairman, we would like to bring forward the business method amendment before the manager's amendment, which has at least a half a dozen amendments, and we would like to get that out of the way first. If it doesn't displease the chairman, I would like to offer that amendment if I could.

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

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

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

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

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

[Pause.]

Chairman Smith. Mr. Conyers, I am advised by the
parliamentarian that we have to take up my manager's amendment first or it may not be in order. So we will need to go through the manager's amendment and dispense with those amendments, and then your amendment will be the first amendment up after we dispose of the amendments to the manager's amendment.

Mr. Watt. Will the chairman yield?

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

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

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

Mr. Sensenbrenner. Mr. Chairman?

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

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

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

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

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

Mr. Sensenbrenner. A further parliamentary inquiry.
Does this mean that if the amendment to the manager's amendment is defeated, then the amendment can be offered to the underlying bill, or it means that if the manager's amendment is defeated, the amendment can be offered to the underlying bill?

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

Mr. Sensenbrenner. A further parliamentary inquiry.

Chairman Smith. The gentleman will proceed.

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

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

Mr. Sensenbrenner. Then, Mr. Chairman, I would ask unanimous consent, notwithstanding any rule to the contrary, that there can be third degree amendments offered to the amendment to the manager's amendment.
Chairman Smith. And I would object to that unanimous consent request.

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

Chairman Smith. The gentleman from North Carolina.

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

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

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

Chairman Smith. The gentleman from New York, Mr.
Nadler, is recognized.

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

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

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

Chairman Smith. The answer is yes.

Mr. Nadler. Thank you.

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

Chairman Smith. The gentleman from Wisconsin is recognized.

Mr. Sensenbrenner. Does the chair's prior response to
my parliamentary inquiry mean that if during debate on an
amendment to the manager's amendment, there is an agreement
that the manager's amendment can be modified or amended in
order to lessen the controversy of it, there is no way that
such amendment can be offered?
Chairman Smith. To address the gentleman’s inquiry, I
can entertain those amendments on a case-by-case basis and I
will be happy to do so.
Mr. Sensenbrenner. Mr. Chairman, I would once again
state my unanimous consent request that notwithstanding any
rule to the contrary, that third degree amendments may be
offered to amendments to the manager's amendment.
Chairman Smith. I do object to that unanimous consent
request. As I explained, we will take them up on a case-by-
case basis.
Ms. Lofgren. A parliamentary inquiry, Mr. Chairman?
Chairman Smith. The gentlewoman from California, Ms.
Lofgren.
Ms. Lofgren. I am seeking to understand this because
this is not the way we usually proceed, and I am sure that
the chairman wishes to have as free an exchange as possible
because we have worked on a bipartisan basis and the
divisions are really not along party lines on these issues. We really have been working on this since 1997. Even though I think Mr. Sensenbrenner is offering some amendments I don't agree with, but I would hope that he would be given the opportunity to pursue them. I think that we will have a greater degree of success here as a committee if we allow that to occur.

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

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

The gentleman from North Carolina is recognized again.

Mr. Watt. Mr. Chairman, I want to reiterate. I don't think anybody is doing this for dilatory purposes. I think we would be better served to have a freer discussion of these issues if we just agreed to the unanimous consent
request. I thought that is what the chairman had indicated he was planning to do, and I will state that on the record again. We had this discussion yesterday. I thought we had gone beyond this point and that we were going to be able to allow everybody who has been involved in this, everybody being of good will, there being no partisan gamesmanship going on, and very little likelihood of anybody abusing this for dilatory purposes, to allow amendments to be offered freely so that the committee could work --

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

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

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

Chairman Smith. Without objection, the amendment is considered as read.
516        [The information follows:]

517
Chairman Smith. And I will recognize myself for purposes of explaining the amendment.

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

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

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

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

[Pause.]

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

The main provisions include the following: a clarification that the 1-year grace period protects any disclosure to the public by the inventor; a GAO study about patent litigation; a narrowing of the prior use defense by limiting it to process patents, restricting its application
to the United States, and eliminating possible conflict
between an inventor’s use of the grace period and the
potential for prior use rights arising from the grace period
publication; an extension of the inter partes reexamination
time line from 9 months after service of a complaint to 12
months while raising the threshold to a reasonable
likelihood that the petitioner would prevail; a provision
that sunsets the PTO director’s authority to adjust the fee
schedule after 4 years so that Congress can evaluate it; a
clarification that a petitioner may file a written response
during an inter partes proceeding; deletion of the venue,
cost-shifting, and mandatory de novo review provisions that
apply to litigation of because method patents in U.S.
district court; and creation of a joinder provision that
authorizes a Federal court to stay a patent infringement
action brought against the non-manufacturing party under
prescribed conditions.

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

I will now recognize members who have amendments to
the manager's amendment, and once again, once we get through
these amendments, we will go to amendments to the underlying
bill. I will now recognize the gentleman from Wisconsin,
Mr. Sensenbrenner.

Mr. Sensenbrenner. Mr. Chairman, I have --
Chairman Smith. If the gentleman will suspend.
The gentleman from Michigan, the ranking member, Mr.
Conyers, is recognized to speak on the manager's amendment.
Mr. Conyers. Thank you. I strike the last word.
Chairman Smith. The gentleman is recognized for 5
minutes.

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

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

But I would urge that the members carefully consider
these three points in the manager's amendment on both sides
of the aisle. This is not a Democratic position or a Republican position. Think about the importance of the Patent Office and the trademark, copyright, and patent provisions and how they affect the American economy. I think we will be much better off in this debate if we reject the manager's amendment and move on to the other amendments that have already been filed.

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

Chairman Smith. I thank the gentleman for his comments.

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

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

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

Ms. Kish. “Amendment to the amendment offered by Mr. Smith to H.R. 1249 offered by Mr. Sensenbrenner of Wisconsin.”

Chairman Smith. Without objection, the amendment to the amendment is considered as read.
[The information follows:]
Chairman Smith. And the gentleman from Wisconsin will be recognized to explain his amendment.

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

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

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

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

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

Mr. Nadler. Will the gentleman yield for a question?
Mr. Sensenbrenner. No. I have just got a limited period of time.

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

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

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

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

And my time is up, so I yield back.

Chairman Smith. Thank you, Mr. Sensenbrenner.

I will recognize myself in opposition to the amendment.

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

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

Furthermore, this is the appropriate time, I think, to point out that there is wide and broad university support for H.R. 1249. It is supported by the Association of American Universities made up of 61 U.S. universities; by
the Association of Public and Land Grant Universities, 221 schools; by the American Council on Education, 1,600-plus institutions and associates; and the Association of American Medical Colleges, 134 U.S. schools plus 400 teaching hospitals.

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

Mr. Conyers. Thank you, Mr. Chairman.

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

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

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

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

And I will yield.

Mr. Sensenbrenner. Will the gentleman yield?

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

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

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

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

Chairman Smith. Thank you, Mr. Quigley.

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

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

[Laughter.]

Chairman Smith. Withdrawn under those circumstances, without objection.

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

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

Chairman Smith. The clerk will report the amendment
Mr. Watt. It is number 2 on the list, I think.

Number 3 on the list.

Ms. Kish. "Amendment to the amendment to H.R. 1249 offered by Mr. Watt of North Carolina, Mr. Goodlatte of Virginia, and Mr. Berman of California. Page 7 of the amendment, line 11, strike" --

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

[The information follows:]
Chairman Smith. And the gentleman from North Carolina is recognized to explain the amendment.

Mr. Watt. Let me make sure I got the right one first.

Yes, Mr. Chairman. Actually I intended to offer the other one, but since I have the floor, I will go ahead and offer this one. The other one actually may have been even less controversial but I don't think one is controversial either. This basically just changes a 4-year period in the bill to a 6-year period. My preference would have been for a 10-year period but I am reasonably satisfied that this will get us to a point to move a bill down the road. And I would ask my colleagues to support it, and I think we have pretty strong support for it. So I will yield back and not prolong the discussion.

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

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

Chairman Smith. The chair agrees with the gentleman from North Carolina and is prepared to accept the amendment. And I thank the gentleman for offering it.
Are there any other members who wish to speak on this amendment? [No response.]

Chairman Smith. If not, the question is on the amendment to the amendment. All those in favor, say aye. [Chorus of ayes.]

Chairman Smith. Opposed, no. [No response.]

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

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

Mr. Sensenbrenner. Number 2 and it is SENSEN_017.

17. I am sorry.

Chairman Smith. It is amendment number 17.

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

Chairman Smith. The clerk will report the amendment.

Ms. Kish. “Amendment to the amendment offered by Mr. Smith to H.R. 1249 offered by Mr. Sensenbrenner of Wisconsin.”

Mr. Sensenbrenner. Mr. Chairman, I ask unanimous
consent the amendment be considered as read.

Chairman Smith. Without objection.

[The information follows:]
Chairman Smith. And the gentleman is recognized to explain the amendment.

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

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

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

Now, going to first-to-file hurts entrepreneurs and start-ups. When an entrepreneur creates an invention, usually he doesn’t have the money to start a start-up.
operation to actually market that invention. So he has got
to go to a venture capitalist, and the venture capitalist
and the inventor can come to a conclusion on whether or not
the product or the system ends up being marketable and the
venture capitalist makes his decision to fund it based upon
that.

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

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

It structurally undermines the progress and process of
scientific research, and that harkens back to the argument
that I made when, on a bipartisan basis, the Science
Committee at the end of the 1990’s during the Clinton administration changed the efforts where the Federal Government would spend its scarce money in fostering basic research rather than applied research.

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

I yield back the balance of my time.

Chairman Smith. Thank you, Mr. Sensenbrenner.

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

The gentleman’s amendment strikes the first-to-file provisions from the bill. The current first-to-invent
system harms small businesses and independent inventors. Former PTO Commissioner Gerald Mossinghoff conducted a study in 2002 that proves smaller entities are disadvantaged in PTO interference proceedings that arise from disputes over patent ownership under the current system. Independent inventors and small companies lose as much as they win in these disputes, plus bigger companies are better able to absorb the cost of participating in these protracted proceedings.

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

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

Accusations that the bill doesn’t preserve the 1-year
grace period are simply not true. The grace period protects the ability of an inventor to discuss or write about his ideas for a patent up to 1 year before he or they file for patent protection. Without the grace period, an individual who does this defeats his own patent. Since the publicly disseminated information constitutes prior art, it renders the invention non-novel and obvious.

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

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

Mr. Conyers. Mr. Chairman

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

Mr. Conyers. Thank you, Mr. Chairman.

I rise to support the Sensenbrenner amendment with much more enthusiasm than I placed in his first amendment.

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

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

And I thank the chairman.

Chairman Smith. Thank you, Mr. Conyers.

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

Ms. Lofgren. Mr. Chairman?

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

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

Chairman Smith. The gentlewoman is recognized for 5 minutes.
Ms. Lofgren. I am not prepared to support Mr. Sensenbrenner’s amendment at this time. However, I do have a concern that parallels the points just made by Mr. Conyers.

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

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

I understand that the chair has refocused on this issue.

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

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

I yield back the balance of my time.

Chairman Smith. Thank you, Ms. Lofgren.

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

Mr. Goodlatte. Mr. Chairman?

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

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

Mr. Chairman, the colloquy I would like to engage you in involves the provision included in your manager's amendment that pertains to prior art. I understand that some of the stakeholders are supportive of these changes; others have raised important questions about the language on
page 2 of the manager's amendment pertaining to issues of prior art. While we are certain that the bill provides an absolute 1-year grace period, it may make sense to continue to refine this language to ensure that we are able to address some of the concerns raised.

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

Ms. Lofgren. Reserving the right to object.

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

And the gentleman will continue.

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

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

Ms. Lofgren. If I may, on my reservation, Mr.

Chairman.
Chairman Smith. Okay. Without objection to that.

And let me respond to the gentleman.

First of all, without objection, the unanimous consent --

Ms. Lofgren. No. I object.

Chairman Smith. Oh, you do object.

Ms. Lofgren. I object or I reserve the right to object if I cannot be heard on my reservation.

Chairman Smith. I thought I heard you withdraw that objection.

Ms. Lofgren. No.

Chairman Smith. Okay.

The gentlewoman is recognized to state the grounds for her objection.

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

There is substantial concern about this provision. In fact, if this provision is not removed from the bill during this markup, I will vote against the bill. I had said -- I think you were just entering the room -- that I am going to offer an amendment to delete this provision. I would certainly be happy to sit down with you and the chairman and, I am sure, Mr. Conyers and others to work through whether we could, in
fact, come up with language that matches the colloquy undertaken by Senators Leahy and Hatch, which is what we intended to do. But I would have grave concern about just a promise to do something about it. This provision has to be removed. And then if we can come up with an agreement, we can add it back in on the floor.

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

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

Chairman Smith. Well, if the gentleman will yield.

Without objection, that will be made a part of the record.

[The information follows:]
Chairman Smith. And let me commit to the gentleman from Virginia and the gentlewoman from California, Ms. Lofgren, and any other colleagues interested in this language that I will continue to work with you between the full committee and the House floor. I will work with you more enthusiastically if the individuals involved actually help us get the bill out of committee.

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

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

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

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

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

Chairman Smith. I thank the gentlewoman for her comments.

Is there someone else who wishes to be recognized?

Ms. Jackson Lee. Mr. Chairman?
Chairman Smith. The gentlewoman from Texas, Ms. Sheila Jackson Lee.

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

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

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

The fee structure is good to change and hopefully that
will be a better format.

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

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

Now, I am concerned about small consumers, small inventors, small business persons, and frankly I believe that if this information is generated, even that size inventor can be protected. With the understanding of the system being first-to-file, that small business person, that small inventor can be impacted positively because they can file and be protected from any other aspect.
So the question for me is how do you promote a greater job creation, and I think you do so by ensuring that inventions are protected and that we are able to compete worldwide. Why are we second step to the way the world does it?

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

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

Chairman Smith. Thank you, Ms. Jackson Lee.

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

[No response.]

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

If there are no other members who wish to be heard, we will vote on the amendment. All in favor of the amendment, say aye.
[Chorus of ayes.]

Chairman Smith. All opposed, say no.

[Chorus of nays.]

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

Are there other amendments to the manager's amendment?

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

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

Chairman Smith. The clerk will report the amendment.

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

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

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

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

[The information follows:]
Chairman Smith. And the gentleman is recognized to explain his amendment.  
Mr. Watt. Mr. Chairman, I thank you.  
Again, this is a noncontentious amendment. It just kind of cleans up some language about the report to be filed with Congress after the PTO has made various studies. We thought the language that was in the manager's amendment presumed the outcome of the study, and this does not presume the outcome of the study. It gets it back to a more balanced description of what we want the PTO to do and what we want them to report on. 
So with that, Mr. Chairman, I think there is pretty broad support for this, and I will yield back.  
Chairman Smith. Thank you, Mr. Watt.  
And I recognize myself in support of the amendment.  
Reducing frivolous and abusive litigation on the patent system is an important goal, and I want to thank Mr. Chaffetz for recommending the inclusion of the GAO report to study abusive patent litigation. I believe that this report will provide us with very valuable information about the economic impact of such litigation. 
Not only do I have no objection to Mr. Watt’s
clarifying amendment, I strongly support it.

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

[No response.]

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

[Chorus of ayes.]

Chairman Smith. All those opposed, nay.

[No response.]

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

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

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

Chairman Smith. The clerk will report the amendment.

Ms. Kish. “Amendment to the amendment offered by Mr. Smith to H.R. 1249” --

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

Chairman Smith. Without objection.

[The information follows:]
Chairman Smith. And the gentleman is recognized to explain his amendment.

Mr. Goodlatte. Thank you, Mr. Chairman.

This amendment makes a technical correction to the joinder provisions in the manager's amendment. The manager's amendment refers to “actions.” My amendment simply adds the words “or trial” to the word “action” to make clear that the relevant provisions in the joinder section apply to all such proceedings.

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

Finally, this amendment removes section 298(b) from the manager's amendment. This section, unfortunately, injects more uncertainty than certainty in the litigation.
process. When Congress first entered into the patent debate well over 6 years ago, one of the driving goals of legislation was to reduce patent litigation abuses. As a general matter, joinder language accomplishes this purpose by ensuring that only those parties related to a single cause of action are brought together in the same suit. This provision, however, would have the opposite effect. In fact, upon close reading, it would increase the size and complexity of patent cases to the detriment of American manufacturing, one of the very institutions we are seeking to help.

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

Second, by distinguishing between the treatment of suits brought against manufacturing and non-manufacturing entities, the provision introduces uncertainty into the
litigation process. A single piece of technology is often
the result of dozens of partnerships ranging from the
hardware to the operating system to the additional software.
Under this language, a manufacturer could potentially be the
maker of each individual component or of the overall device.
As such, a suit brought against a single defendant could
result in a joinder of dozens of additional companies, none
of whom had any reason to anticipate the litigation. By
introducing new complexities into the litigation system, it
potentially unwinds the advances made by the general joinder
 provision in the bill and, as such, should be removed.
And I urge my colleagues to support the amendment.
Chairman Smith. Thank you, Mr. Goodlatte.
I strongly support this amendment. It makes
improvements to the manager's amendment and closes a
loophole in the joinder provision.
Specifically, in cases of large, multi-party
litigation, there may be instances in which the cases are
divided appropriately or when the trial begins, a judge
decides to circumvent the provision and bring several
unrelated cases together. This provision will close that
loophole and ensure that the provision is effective.
Additionally, the amendment drops the provision in the manager's amendment dealing with stays of action against non-manufacturing parties. Though the intention of the manager's amendment was to solve a lot of harms that occur to downstream customers and sellers of manufactured goods, it appears that along with the good, there is also potential for abuse. Though the underlying provision appeared to be a good litigation reform measure, on balance I agree it makes sense to take it out of the bill at this point.

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

As I say, I support the gentleman’s amendment. Are there other members who wish to be heard on this amendment?

Mr. Watt. Mr. Chairman?

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

Mr. Watt. Just briefly to express my support for the amendment. We have reviewed it. We think it is a
constructive move. Thank you.

Chairman Smith. I thank the gentleman.

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

[Chorus of ayes.]

Chairman Smith. All those opposed, no.

[No response.]

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

We will now go to the next amendment which is going to be offered by the gentlewoman from California, Ms. Lofgren.

And she is recognized for that purpose.

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

Chairman Smith. The clerk will report the amendment.

Ms. Kish. “Amendment to the amendment offered by Mr. Smith to H.R. 1249 offered by Ms. Zoe Lofgren of California.”

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

Chairman Smith. Without objection the amendment to the amendment will be considered as read.
[The information follows:]
Chairman Smith. And the gentlewoman is recognized to explain her amendment.

Ms. Lofgren. Thank you, Mr. Chairman.

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

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

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

The inter partes review is a crucial tool in our patent system. It can provide an effective and less expensive alternative to litigation by allowing third parties to request a reexamination of a patent’s validity by the PTO based on specific types of prior art. The procedure is, in effect, insurance against patents that should never have been issued in the first place and which do not represent genuine innovation. This is particularly important in the information technology industry. As this committee is aware, many IT products from servers to
software to websites are ensnared in a thicket of overlapping patents, many of which are broadly written, highly abstract, and of dubious validity. Director Kappos is taking admirable steps at the PTO to improve patent quality and filter out more invalid applications, but even if he succeeds, we are still left to deal with all of the bad patents that already exist. That is why inter partes review is so important as an alternative to litigation.

Under current law, if someone is sued for patent infringement, there is no deadline for them to file, as I mentioned. The manager's amendment changes it to 12 months. I recognize that some deadline is warranted to address the worries from patent owners who have worries about undue delay. However, 12 months is an arbitrary figure and it does not square with the reality of many complex patent cases. It is important to understand that defendants often have no prior knowledge or notice of the patents at issue before they are sued and, therefore, have no opportunity to file a petition for inter partes review in advance. Many of these suits start out with an overwhelming number of patents and claims at issue. For example, one recent infringement
suit involved 31 patents, 1,975 claims, and 65 different
defendants. Many patents and claims fall away as the
litigation progresses.

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

My amendment would replace the arbitrary 12-month
figure by tying the deadline to the completion of the
Markman hearing. Under the amendment, a defendant would
have only 30 days to file an inter partes petition after the
court reaches a decision on claim construction. By the time
claim construction happens, we can be confident that the
defendant will have had adequate time and notice of the
genuine issues in the case in order to prepare an effective petition.

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

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

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

And I yield back.

Chairman Smith. Thank you, Ms. Lofgren.
I will recognize myself in opposition to the amendment.

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

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

[No response.]

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

Mr. Berman. Mr. Chairman, the issue you raise -- I
rise to suggest an alternative to the amendment, although I think the amendment is good.

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

Remember, under existing law -- first of all, the stay is never mandated. The court gets to decide whether or not to have a stay. And your bill, I think, is a positive improvement on the Senate language which was only 6 months, but conceptually knowing what claims are going to be litigated makes the most sense in terms of telling the defendant they no longer can use inter partes reexam as an effort to stall the litigation. They got to do it within 30 days of the Markman hearing or if they haven’t gotten the Markman hearing or aren’t going to get a Markman hearing, no
later than 18 months.

Chairman Smith. Thank you, Mr. Berman.

Mr. Berman. That is my suggestion.

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

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

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

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

[No response.]

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

[Chorus of ayes.]

Chairman Smith. All those opposed, no.
[Chorus of nays.]

Chairman Smith. The noes have it in the opinion of the chair and the amendment --

Ms. Lofgren. Mr. Chairman, I would like a recorded vote on that.

Chairman Smith. A recorded vote has been requested, and the clerk will call the roll.

Ms. Kish. Mr. Smith?

Chairman Smith. No.

Ms. Kish. Mr. Smith votes no.

Mr. Sensenbrenner?

Mr. Sensenbrenner. Aye.

Ms. Kish. Mr. Sensenbrenner votes aye.

Mr. Coble?

[No response.]

Ms. Kish. Mr. Gallegly?

Mr. Gallegly. Aye.

Ms. Kish. Mr. Gallegly votes aye.

Mr. Goodlatte?

Mr. Goodlatte. No.

Ms. Kish. Mr. Goodlatte votes no.

Mr. Lungren?
Mr. Lungren. Aye.

Ms. Kish. Mr. Lungren votes aye.

Mr. Chabot?

Mr. Chabot. No.

Ms. Kish. Mr. Chabot votes no.

Mr. Issa?

[No response.]

Ms. Kish. Mr. Pence?

Mr. Pence. No.

Ms. Kish. Mr. Pence votes no.

Mr. Forbes?

Mr. Forbes. No.

Ms. Kish. Mr. Forbes votes no.

Mr. King?

Mr. King. No.

Ms. Kish. Mr. King votes no.

Mr. Franks?

Mr. Franks. No.

Ms. Kish. Mr. Franks votes no.

Mr. Gohmert?

[No response.]

Ms. Kish. Mr. Jordan?
1540 [No response.]
1541 Ms. Kish. Mr. Poe?
1542 [No response.]
1543 Ms. Kish. Mr. Chaffetz?
1544 Mr. Chaffetz. No.
1545 Ms. Kish. Mr. Chaffetz votes no.
1546 Mr. Griffin?
1547 Mr. Griffin. No.
1548 Ms. Kish. Mr. Griffin votes no.
1549 Mr. Marino?
1550 Mr. Marino. No.
1551 Ms. Kish. Mr. Marino votes no.
1552 Mr. Gowdy?
1553 Mr. Gowdy. No.
1554 Ms. Kish. Mr. Gowdy votes no.
1555 Mr. Ross?
1556 Mr. Ross. No.
1557 Ms. Kish. Mr. Ross votes no.
1558 Ms. Adams?
1559 [No response.]
1560 Ms. Kish. Mr. Quayle?
1561 Mr. Quayle. No.
Ms. Kish. Mr. Quayle votes no.

Mr. Conyers?

Mr. Conyers. Aye.

Ms. Kish. Mr. Conyers votes aye.

Mr. Berman?

Mr. Berman. Aye.

Ms. Kish. Mr. Berman votes aye.

Mr. Nadler?

Mr. Nadler. Aye.

Ms. Kish. Mr. Nadler votes aye.

Mr. Scott?

Mr. Scott. Aye.

Ms. Kish. Mr. Scott votes aye.

Mr. Watt?

Mr. Watt. Aye.

Ms. Kish. Mr. Watt votes aye.

Ms. Lofgren?

Ms. Lofgren. Aye.

Ms. Kish. Ms. Lofgren votes aye.

Ms. Jackson Lee?

[No response.]

Ms. Kish. Ms. Waters?
1584  Ms. Waters.  Aye.
1585  Ms. Kish.  Ms. Waters votes aye.
1586  Mr. Cohen?
1587  Mr. Cohen.  Aye.
1588  Ms. Kish.  Mr. Cohen votes aye.
1589  Mr. Johnson?
1590  Mr. Johnson.  Aye.
1591  Ms. Kish.  Mr. Johnson votes aye.
1592  Mr. Pierluisi?
1593  Mr. Pierluisi.  No.
1594  Ms. Kish.  Mr. Pierluisi votes no.
1595  Mr. Quigley?
1596  [No response.]
1597  Ms. Kish.  Ms. Chu?
1599  Ms. Kish.  Ms. Chu votes aye.
1600  Mr. Deutch?
1601  Mr. Deutch.  Aye.
1602  Ms. Kish.  Mr. Deutch votes aye.
1603  Ms. Sanchez?
1604  [No response.]
1605  Ms. Kish.  Ms. Wasserman Schultz?
[No response.]

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

Mr. Gallegly. How am I recorded?

Ms. Kish. Aye.

Mr. Gallegly. No.

Ms. Kish. Mr. Gallegly votes no.

Chairman Smith. The gentleman from Texas, Mr. Gohmert?

Mr. Gohmert. No.

Ms. Kish. Mr. Gohmert votes no.

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

Mr. Issa. No.

Ms. Kish. Mr. Issa votes no.

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


Chairman Smith. The clerk will report.

Ms. Kish. Mr. Chairman, 14 members voted aye; 17 members voted nay.
Chairman Smith. In the opinion of the chair, the noes have it and the amendment to the amendment is not agreed to. We will now move on to the next amendment, and that will be offered by the gentleman from Virginia, Mr. Goodlatte.

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

Chairman Smith. The clerk will report the amendment. Ms. Kish. “Amendment to the amendment offered by Mr. Smith to H.R. 1249 offered by Mr. Goodlatte” -- Chairman Smith. Without objection, the amendment will be considered as read.

[The information follows:]
Chairman Smith. And the gentleman from Virginia is recognized to explain his amendment.

Mr. Goodlatte. Thank you, Mr. Chairman.

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

The manager's amendment sought to make clear that a product that would otherwise qualify for the assertion of a prior use defense cannot claim prior user rights if the idea is commercialized after a disclosure that occurs by an inventor within the 1-year grace period. Unfortunately, the way the language in the manager's amendment reads now such a disclosure by the inventor would inadvertently be treated as prior art, thus preventing the ability of the inventor to patent his idea. This was not intended, and this amendment fixes this drafting error in the manager's amendment to clarify that disclosures by an inventor within the grace period do not count as prior art, and I urge the members of the committee to support this correction of a drafting
error.
Chairman Smith. Thank you, Mr. Goodlatte.
I will recognize myself in support of the amendment.

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

Though the House bill requires the PTO to conduct a study on the issue, I believe it is important to ensure that we include these rights to help our job-creating manufacturers across the United States. We have heard from businesses that they may be unable to expand their factories and hire American workers if they are prevented from continuing to operate their facilities the way they have for years. I think the prior user rights provisions, as amended by the proposal, will help create jobs in America. It will help our businesses grow and allow innovation to flourish.

I strongly support the amendment to strengthen and improve the underlying provision in H.R. 1249.

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

[No response.]

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

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

If this amendment is adopted, it is kind of a way of obviating the arguments that I made in favor of my amendment to strike the prior user rights section altogether, and it is an admission that what is in the manager's amendment and what is in the underlying bill is significantly deficient.

This amendment is kind of like putting a band aid on top of a skin cancer because cosmetically nobody is able to see the skin cancer itself because it is underneath the band aid. However, the skin cancer is going to get bigger and bigger, and actually what this does is put a block to the business of university research, university-based research, much of which is publicly funded. And we will end up wasting an awful lot of our research money because there will not be
the meld of academia and invention that has worked so well
for the last 30 or 40 years.
So I hope everybody votes on this with their eyes
open. I am going to vote no because I think the prior user
rights thing needs to be retuned further or done away with
altogether, but it is an admission that most of the
arguments made against my amendment really were not well
taken. We need more time to think this through, and with
this amendment, we will not have that additional time.
And I yield back.
Chairman Smith. Thank you, Mr. Sensenbrenner.
Are there other members who wish to speak on this
amendment? The gentleman from California, Mr. Berman, is
recognized.
Mr. Berman. Mr. Chairman, I move to strike the last
word.
Chairman Smith. The gentleman is recognized for 5
minutes.
Mr. Berman. Because my eyes are open, I support this
amendment and think it is -- I sort of have the opposite
position as the gentleman from Wisconsin and perhaps for the
reasons he opposes, I support and urge its adoption.
Chairman Smith. Are there other members who wish to be heard on the amendment? The gentleman from New York, Mr. Nadler, is recognized.

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

I yield back.

Chairman Smith. Thank you, Mr. Nadler.

The gentlewoman from California, Ms. Lofgren?

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

Chairman Smith. The gentlewoman is recognized for 5
Ms. Lofgren. I also support the amendment, and while I have tremendous respect for Mr. Sensenbrenner, I do realize that there are many in the university community who have reached a conclusion contrary to that he has outlined, including our mutual alma mater, Stanford University, that has just publicly come forward in support of this amendment, along with the university association. So I would like to note my support of the amendment. I yield back.

Chairman Smith. Thank you, Ms. Lofgren. Are there other members who wish to be heard on the amendment? [No response.]

Chairman Smith. If not, we will vote on the amendment. All those in favor, say aye. [Chorus of ayes.]

Chairman Smith. All those opposed, say nay. [Chorus of nays.]

Chairman Smith. In the opinion of the chair, the ayes have it and the amendment is agreed to. Are there other amendments? The gentlewoman from
California, Ms. Chu? Is she prepared to offer an amendment?

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

Chairman Smith. And the clerk will report the amendment.

Ms. Kish. “Amendment to the Amendment offered by Mr. Smith to H.R. 1249 offered by Ms. Chu” --

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

[The information follows:]
Chairman Smith. And the gentlewoman from California is recognized to explain her amendment.

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

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

Instead of restricting this important process, my amendment would keep the current standard of a substantial new question of patentability. To be clear, this is the current threshold for entering the inter partes reexamination process. Since the procedure was first
created in 1999, PTO has issued decisions in 221 reexaminations and 90 percent of those resulted in the invalidation of at least patent claim. Again, 90 percent of the patents that go through the inter partes process under the current threshold are found to be defective. Even PTO Director Kappos testified that the current standard allows the PTO to weed out meritless petitions.

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

Chairman Smith. Thank you, Ms. Chu.

I will recognize myself in opposition to the amendment.

The balance that we have struck in the inter partes by raising the threshold and extending the deadline to 12 months after the filing of a civil action is a fair deal.

But if we do as this amendment suggests and couple such a 1-year period of time to decide whether or not to even enter inter partes with a lower threshold, it could create problems for the PTO and open the program up to litigation abuse. The lower threshold standard for inter partes really does not make that much sense for infringing parties. Inter
partes is designed so that you bring your best arguments in. The program forces the party to make a decision, and if you decide to initiate inter partes, you need to bring in your A game. Inter partes review is not meant to simply be a program that you can use to harass a patent owner. For it to truly be a meaningful and cheaper alternative to litigation, we must maintain the higher threshold. And for those reasons, I oppose the amendment.

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

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

One of the major purposes of patent reform was to have a process that allowed our concern about bad patents having been issued to be reexamined and to avoid all the costs of litigation. The current language on the threshold is too restrictive in terms of allowing those patents to be
revisited, and I would suggest that -- it is bad enough when we don’t do enough reform, but in this case we are restricting the reforms beyond even what existing law has.

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

Chairman Smith. Thank you, Mr. Berman.

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

[No response.]

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

[Chorus of ayes.]

Chairman Smith. Opposed, say no.

[Chorus of nays.]

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

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

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

Ms. Kish. Mr. Smith?

Chairman Smith. No.

Ms. Kish. Mr. Smith votes no.

Mr. Sensenbrenner?

Mr. Sensenbrenner. No.

Ms. Kish. Mr. Sensenbrenner votes no.

Mr. Coble?

[No response.]

Ms. Kish. Mr. Gallegly?

Mr. Gallegly. No.

Ms. Kish. Mr. Gallegly votes no.

Mr. Goodlatte?

Mr. Goodlatte. No.

Ms. Kish. Mr. Goodlatte votes no.

Mr. Lungren?

Mr. Lungren. No.

Ms. Kish. Mr. Lungren votes no.

Mr. Chabot?
1896 Mr. Chabot.  No.
1897 Ms. Kish. Mr. Chabot votes no.
1898 Mr. Issa?
1899 [No response.]
1900 Ms. Kish. Mr. Pence?
1901 Mr. Pence. No.
1902 Ms. Kish. Mr. Pence votes no.
1903 Mr. Forbes?
1904 Mr. Forbes. No.
1905 Ms. Kish. Mr. Forbes votes no.
1906 Mr. King?
1907 Mr. King. No.
1908 Ms. Kish. Mr. King votes no.
1909 Mr. Franks?
1910 Mr. Franks. No.
1911 Ms. Kish. Mr. Franks votes no.
1912 Mr. Gohmert?
1913 [No response.]
1914 Ms. Kish. Mr. Jordan?
1915 [No response.]
1916 Ms. Kish. Mr. Poe?
1917 [No response.]
1918  Ms. Kish. Mr. Chaffetz?
1919  Mr. Chaffetz. No.
1920  Ms. Kish. Mr. Chaffetz votes no.
1921  Mr. Griffin?
1922  [No response.]
1923  Ms. Kish. Mr. Marino?
1924  Mr. Marino. No.
1925  Ms. Kish. Mr. Marino votes no.
1926  Mr. Gowdy?
1927  Mr. Gowdy. No.
1928  Ms. Kish. Mr. Gowdy votes no.
1929  Mr. Ross?
1930  Mr. Ross. No.
1931  Ms. Kish. Mr. Ross votes no.
1932  Ms. Adams?
1933  Ms. Adams. No.
1935  Mr. Quayle?
1936  Mr. Quayle. No.
1937  Ms. Kish. Mr. Quayle votes no.
1938  Mr. Conyers?
1939  Mr. Conyers. Aye.
Ms. Kish.  Mr. Conyers votes aye.

Mr. Berman?

Mr. Berman.  Aye.

Ms. Kish.  Mr. Berman votes aye.

Mr. Nadler?

Mr. Nadler.  Aye.

Ms. Kish.  Mr. Nadler votes aye.

Mr. Scott?

[No response.]

Ms. Kish.  Mr. Watt?

Mr. Watt.  Aye.

Ms. Kish.  Mr. Watt votes aye.

Ms. Lofgren?

Ms. Lofgren.  Aye.

Ms. Kish.  Ms. Lofgren votes aye.

Ms. Jackson Lee?

[No response.]

Ms. Kish.  Ms. Waters?

Ms. Waters.  Aye.

Ms. Kish.  Ms. Waters votes aye.

Mr. Cohen?

[No response.]
Ms. Kish. Mr. Johnson?

Mr. Johnson. No.

Ms. Kish. Mr. Johnson votes no.

Mr. Pierluisi?

Mr. Pierluisi. No.

Ms. Kish. Mr. Pierluisi votes no.

Mr. Quigley?

[No response.]

Ms. Kish. Ms. Chu?


Ms. Kish. Ms. Chu votes aye.

Mr. Deutch?

Mr. Deutch. No.

Ms. Kish. Mr. Deutch votes no.

Ms. Sanchez?

[No response.]

Ms. Kish. Ms. Wasserman Schultz?

[No response.]

Chairman Smith. The gentleman from North Carolina?

Mr. Coble. No.

Ms. Kish. Mr. Coble votes no.

Chairman Smith. Are there other members who wish to
cast a vote? The gentleman from California, Mr. Issa?

Mr. Issa. No.

Ms. Kish. Mr. Issa votes no.

Chairman Smith. The clerk will report.

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

Chairman Smith. The majority having voted against the amendment, it is not approved.

And we will now go on to the next amendment. This is an amendment we expect to be offered by someone who, I am sure, is on their way to the room as we speak.

Meanwhile, we will recognize the gentlewoman from California for her amendment.

Ms. Lofgren. Thank you, Mr. Chairman. I have an amendment at the desk, Lofgren 21.

Chairman Smith. The clerk will report the amendment.

Ms. Kish. “Amendment to the amendment offered by Mr. Smith to H.R. 1249 offered by Ms. Zoe Lofgren of California.

On page 2 of the amendment, strike all the amendments to page 4 of the bill.”

Ms. Lofgren. Mr. Chairman, I would ask unanimous consent that the amendment be considered as read.
Chairman Smith. Without objection, the amendment will be considered as read.

[The information follows:]
Chairman Smith. And the gentlewoman is recognized to explain her amendment.

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

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

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

I think everybody agrees that that was the intent of the provision, but that it was not necessarily explicitly reflected in the language of the bill. I was contacted by some constituents, small inventors, who were concerned that the bill could be read to exclude certain types or prior art
from the scope of the grace period. And it seemed to me that since we all knew what we were doing that we ought to say so in the bill and not be ambiguous.

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

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

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

And I would yield to the chairman.

Chairman Smith. Thank you, Ms. Lofgren.

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

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

[No response.]

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

[Chorus of ayes.]

Chairman Smith. All opposed, nay.

[No response.]

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

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

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

[No response.]

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

[Chorus of ayes.]
Chairman Smith. Opposed, no.

[Chorus of nays.]

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

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

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

Ms. Kish. Mr. Smith?

Chairman Smith. Aye.

Ms. Kish. Mr. Smith votes aye.

Mr. Sensenbrenner?

Mr. Sensenbrenner. No.

Ms. Kish. Mr. Sensenbrenner votes no.

Mr. Coble?

Mr. Coble. Aye.

Ms. Kish. Mr. Coble votes aye.

Mr. Gallegly?

Mr. Gallegly. Aye.

Ms. Kish. Mr. Gallegly votes aye.

Mr. Goodlatte?

Mr. Goodlatte. Aye.
Ms. Kish. Mr. Goodlatte votes aye.

Mr. Lungren?

Mr. Lungren. Aye.

Ms. Kish. Mr. Lungren votes aye.

Mr. Chabot?

[No response.]

Mr. Chabot. Mr. Issa?

[No response.]

Ms. Kish. Mr. Pence?

Mr. Pence. Aye.

Ms. Kish. Mr. Pence votes aye.

Mr. Forbes?

Mr. Forbes. Aye.

Ms. Kish. Mr. Forbes votes aye.

Mr. King?

Mr. King. Aye.

Ms. Kish. Mr. King votes aye.

Mr. Franks?

Mr. Franks. Aye.

Ms. Kish. Mr. Franks votes aye.

Mr. Gohmert?

[No response.]
Ms. Kish. Mr. Jordan?

[No response.]

Ms. Kish. Mr. Poe?

Mr. Poe. Aye.

Ms. Kish. Mr. Poe votes aye.

Mr. Chaffetz?

Mr. Chaffetz. Aye.

Ms. Kish. Mr. Chaffetz votes aye.

Mr. Reed?

[No response.]

Ms. Kish. Mr. Griffin?

[No response.]

Ms. Kish. Mr. Marino?

Mr. Marino. Aye.

Ms. Kish. Mr. Marino votes aye.

Mr. Gowdy?

Mr. Gowdy. Aye.

Ms. Kish. Mr. Gowdy votes aye.

Mr. Ross?

Mr. Ross. Aye.

Ms. Kish. Mr. Ross votes aye.

Ms. Adams?
Mr. Quayle?
Mr. Quayle.  Aye.
Ms. Kish.  Mr. Quayle votes aye.
Mr. Conyers?
Mr. Conyers.  No.
Ms. Kish.  Mr. Conyers votes no.
Mr. Berman?
Mr. Berman.  Aye.
Ms. Kish.  Mr. Berman votes aye.
Mr. Nadler?
Mr. Nadler.  Aye.
Ms. Kish.  Mr. Nadler votes aye.
Mr. Scott?
[No response.]
Ms. Kish.  Mr. Watt?
Mr. Watt.  Aye.
Ms. Kish.  Mr. Watt votes aye.
Ms. Lofgren?
Ms. Lofgren.  Aye.
Ms. Kish.  Ms. Lofgren votes aye.
Ms. Jackson Lee?

[No response.]

Ms. Kish. Ms. Waters?

[No response.]

Ms. Kish. Mr. Cohen?

Mr. Cohen. Aye.

Ms. Kish. Mr. Cohen votes aye.

Mr. Johnson?

Mr. Johnson. Aye.

Ms. Kish. Mr. Johnson votes aye.

Mr. Pierluisi?

Mr. Pierluisi. Aye.

Ms. Kish. Mr. Pierluisi votes no.

Mr. Quigley?

Mr. Quigley. Aye.

Ms. Kish. Mr. Quigley votes aye.

Ms. Chu?


Ms. Kish. Ms. Chu votes aye.

Mr. Deutch?

Mr. Deutch. Aye.

Ms. Kish. Mr. Deutch votes aye.
Ms. Sanchez?

Ms. Sanchez. Aye.

Ms. Kish. Ms. Sanchez votes aye.

Ms. Wasserman Schultz?

[No response.]

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

Mr. Chabot. Aye.

Ms. Kish. Mr. Chabot votes aye.

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

Ms. Waters. Aye.

Ms. Kish. Ms. Waters votes aye.

Chairman Smith. The clerk will report.

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

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

We will now go to amendments to the underlying bill.

The gentleman from Michigan, the ranking member of the committee, is recognized for purposes of offering an
Mr. Conyers. Thank you, Mr. Chairman. I have an amendment at the desk. I ask that it be reported.

Chairman Smith. The clerk will report the amendment.

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

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

[The information follows:]
Chairman Smith. And the gentleman is recognized for purposes of explaining his amendment.

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

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

My amendment further allows section 18 to be enacted in full to weed out invalid patents, but a court’s deference to the Patent Office for those circumstances where it has already reexamined a patent and found it to have valid
This amendment also tempers the retroactive application of section 18. Under my proposal, 18 would not unfairly burden those patent holders who already had their patents reexamined by the office and reissued as valid as of the date of enactment. There are numerous patent holders that are subject to section 18 whose patents have completed a reexamination at the office and had the claims upheld as valid.

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

Representatives from the influential nonfinancial services entities like Procter & Gamble have publicly stated that it would be bad policy to provide second and third bites at the apple to infringers of valid patents, meaning patent claims that have already been validated by the Patent Office should not be subjected to another review of validity at the Patent Office. And so the amendment recognizes the
policy and corrects the broad scope of section 18 that allows it.

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

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

Chairman Smith. Thank you, Mr. Conyers.

I will recognize myself in opposition.

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

The business method patent provisions in the bill allow the PTO to do what it was incapable doing back in the late 1990’s and early 2000’s: review business method patents against the best available prior art. Good patents will withstand the scrutiny, but the weaker ones deserve to
be eliminated. This is a pro-manufacturing, pro-jobs section of the bill that should not be removed.

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

Ms. Sanchez. Thank you, Mr. Chairman.

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

And I will yield back the balance of my time.

Chairman Smith. Thank you, Ms. Sanchez.

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

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

Chairman Smith. The gentleman is recognized for 5 minutes.

Mr. Berman. I guess my first comment is a question to the chair and counsel to the committee. As I understand it, the provision which the ranking member seeks to amend is a
provision that simply applies to business method patents

with a little extension to cover some specific patents in

mind because it talks about business methods and associated

apparatus. But what it is it creates a separate review

process for business method patents which, in one sense, I

understand because some of the poorest patents issued were

business method patents.

But there are two problems I have with the existing

language in the bill. One is the way the definition of

business methods is drafted to include some patents that

might not be viewed as strictly business method patents, but

secondly, we are applying a different standard. I once was

sort of imbued with the notion of trying to just reform

business method patents, and I was told you don’t do that in

the patent law. You treat every kind of patent the same

way. And we have provisions in our legislation on damages.

And to the chairman, I say wouldn't we have loved a

solution in 2007 which said -- some of these high technology

products have hundreds and hundreds and even thousands of

patents. Some of these pharmacological products have two

patents. Let us have one standard of damages for the

technology products and another standard for the
pharmacology products. But all the patent lawyers and the whole patent bar and all the companies said you don’t do that.

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

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

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

But the question I have, Mr. Chairman, is under the existing business method patent provision, which we have
kept in the House bill, as I understand it, unchanged from what the Senate adopted, a case that has gone to district court and been litigated there against certain parties and against parties who sought inter partes reexam in the past -- they would be allowed now, notwithstanding a district court judgment against them and in favor of the patent holder, to come in under this new procedure and forget the case they lost, forget the licensing agreement they signed because they lost the case, and they would be able to re-litigate it. That isn’t fair.

Now, I have a bit of a problem with my friend’s amendment because it covers other parties as well, but I am betwixt and between here, and on that choice, I don't think it is fair to subject parties that hold patents that have Federal district court judgments in their favor against certain parties to allow those parties to come back in. So without any willingness to change that business method patent provision, I am inclined to support the gentleman’s amendment even though it goes a little further than I want. Mr. Conyers. Will the gentleman yield? Mr. Berman. I would be happy to yield to the ranking member.
Mr. Conyers. I just want to thank the gentleman from the bottom of my heart for his tepid support of my amendment.

[Laughter.]

Mr. Lungren. Will the gentleman from California yield?

Mr. Berman. Yes.

Mr. Lungren. I would like to associate myself with the gentleman’s remarks.

Mr. Berman. Tepid though they be.

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

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

And I thank the gentleman.

Ms. Lofgren. Would the gentleman yield?

Chairman Smith. The gentleman’s time has expired.

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

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

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

[Laughter.]

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

Mr. Conyers. I thank the chair.

[Whereupon, at 12:45 p.m., the committee recessed, to reconvene at 1:45 p.m., the same day.]
Chairman Smith. [Presiding] The Judiciary Committee will resume our markup.

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

The gentlewoman from California, Ms. Lofgren?

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

Chairman Smith. The gentlewoman is recognized for five minutes?

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

Now, I had expected that there would be an amendment just to strike the provision rather than the amendment that has been offered, because although the amendment that has been offered does improve the underlying bill, it does not completely cure the phenomena of delineating separate patent rules for different kinds of patents that, you know, in the past we have been told this violates TRIPS. And if it does,
we are ending up with a trade problem down the road.

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

And I yield back the balance of my time.

Mr. Conyers. Mr. Chairman?

Chairman Smith. Thank you, Ms. Lofgren.

The gentleman from Michigan, Mr. Conyers?

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

Chairman Smith. I thank the gentleman for his --

Ms. Water. Will the gentleman yield?

Chairman Smith. -- comments, and without objection the motion is withdrawn.
We will now go to the next amendment, and that is the Goodlatte amendment. The gentleman from Virginia is recognized.

Mr. Goodlatte. Thank you, Mr. Chairman. I have an amendment at the desk, Goodlatte amendment number 2. Chairman Smith. The clerk will report the amendment.

Ms. Kish. "Amendment to H.R. 1249, offered by Mr. Smith of Texas and Mr. Goodlatte of Virginia, page 46" -- Mr. Goodlatte. Mr. Chairman, I ask unanimous consent the amendment is read.

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

[The information follows:]
Chairman Smith. The gentleman is recognized in support of his amendment?

Mr. Goodlatte. Thank you, Mr. Chairman.

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

In the case of the first to file language, settlements are protected as business confidential information.

However, in the inter parte's reexamination and post-grant review section, parties to a settlement are required to reduce to writing all the terms of the agreement to be filed, along with any collateral agreements with the Patent and Trademark Office.

As it stands, the language in the inter parte's reexamination and post-grant review section would effectively require companies to turn over and make public their business proprietary and confidential information. In other words, they are required to turn over their keys to the competitive kingdom while they settle an inter parte's reexamination or post-grant review. The practical effect of this provision would be that companies will no longer
settle, not wanting to risk having to make public confidential information.

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

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

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

I urge my colleagues to support this amendment. Chairman Smith. Thank you, Mr. Goodlatte. I support the amendment for the reasons that you have given. Are there any other members who wish to speak on this amendment? If not, we will vote on the amendment. All in favor, say aye? [Chorus of ayes.]

Chairman Smith. All opposed, nay? [No response.]

Chairman Smith. The ayes have it. The amendment is agreed to. Are there other amendments? The gentleman from Michigan is recognized?

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

Chairman Smith. The clerk will report the amendment? Ms. Kish. "Amendment to H.R. 1249, offered by Ms. Chu and Mr. Conyers of Michigan, page 107, line 14." --

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

[The information follows:]

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

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

Chairman Smith. Thank you, Mr. Conyers.

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

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

Are there other --
Mr. Conyers. I ask unanimous consent to withdraw it.

I was going to comment on your impropriety as soon as you finish.

[Laughter.]

Chairman Smith. Let me apologize to the gentleman from Michigan. I did not hear him say he withdrew it, but I happily will agree with that, ad thank you for doing so.

Although I believe the gentleman has another amendment coming up almost immediately here, and he is recognized for that purpose?

Mr. Conyers. I have a good excuse for withdrawing --

I ask the clerk to report the amendment.

Chairman Smith. The clerk will report the amendment?

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

Chairman Smith. Is that the correct one? Okay.

[The information follows:]
Mr. Quigley. Mr. Chairman, I have a procedural question.

Chairman Smith. The gentleman from Illinois is recognized?

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

Chairman Smith. This is the Conyers amendment number 34.

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

Chairman Smith. Okay. You are correct.

Mr. Quigley. Thank you.

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

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

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

[Laughter.]

Mr. Conyers. And I would like to go forward with just
a brief explanation of clarifying the term "business day"
and "patent extension."
This amendment would remove what amounts to a trap and
would clarify the term "business day" in the patent
extension provision.
In the Hatch-Waxman Act, there is provided for the
term of patents covering drugs that must be
approved by the FDA before they can be marketed. The
term is designed to compensate innovators for the
ineffective patent term loss awaiting approval by the FDA,
which unfortunately can take years.
And so, our attempt here is to make the congressional
effort at patent reform be more clear, more efficient. And
in a small way, this amendment would do just that by
clarifying that phrase, quote, "beginning on the date." It
has the same meaning throughout the statute and for all
applicants.
I urge support of the amendment and return the balance
of my time.
Chairman Smith. Thank you, Mr. Conyers.
I will recognize myself in support of the amendment.
Now, the gentleman's amendment clarifies the counting
rules that are imposed on patent holders who must submit
documents to the agency within statutory time limits.

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

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

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

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

[Chorus of ayes.]

Chairman Smith. Opposed, no?

[No response.]

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

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

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

Chairman Smith. The clerk will report the amendment?
Ms. Kish. "Amendment to H.R. 1249, offered by Mr. Goodlatte of Virginia. Page 102 after line 2, insert the following new subparagraph: Section" -- Chairman Smith. Without objection, the amendment will be considered as read.

[The information follows:]
Chairman Smith. The gentleman is recognized to explain his amendment?

Mr. Goodlatte. Thank you, Mr. Chairman.

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

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

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

It is crucial in a proceeding like this for Congress
to issue guidance that clearly instructs the PTO that the
process has been for good faith actors only, and that fraud
will not be tolerated.

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

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

The Goodlatte amendment is very simple. It requires
that the PTO deny a supplemental examination request and
terminate any pending supplemental examination when it
determines that a fraud on the PTO was practiced or
attempted in connection with a patent. It also requires the
PTO director, when he determines a fraud has occurred, to
refer any such matters to the Attorney General for further action.

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

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

Chairman Smith. Thank you, Mr. Goodlatte.

Are there any members who wish to comment on this amendment?
The gentlewoman from Texas, Ms. Jackson Lee, is recognized?

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

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

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

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

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

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

Mr. Marino. No, sir.

Chairman Smith. Okay. Who requested -- the gentleman
from Georgia?
Mr. Coble. I did, Mr. Chairman.
Chairman Smith. Excuse me, Mr. Johnson. I am sorry.
I cannot quite see beyond everybody as easily as I would like up here. I am sorry. The gentleman from North Carolina is recognized.
Mr. Coble. I just have had several inquiries. Move to strike the last word, Mr. Chairman.
Chairman Smith. The gentleman is recognized for five minutes?
Mr. Coble. Mr. Goodlatte, I may ask you a question or two, if I may. I have had some concerns from down home. The supplemental exam is a new concept. That being said, Mr. Goodlatte, it seems that the amendment may be redundant and unnecessary. If the gentleman would respond to a question for me,
Are fraudulent patents invalid?
Mr. Goodlatte. A fraudulent patent would ordinarily be invalid, that is correct.
Mr. Coble. Well, why do we need a supplemental review?
Mr. Goodlatte. If, however, a patent goes through
this process and it is later found that fraud was committed
as a part of this process, that would not be allowed. And
that is why there are specific rules covering fraud in those
other sections of the patent law.

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

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

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

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

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

Mr. Coble. And one final question, if I may, Mr.
Goodlatte. Who would assert that a supplemental review
proceeding involved fraud, A, and, B, would that assertion
be made by a third party or by the patent examiner?
Mr. Goodlatte. The assertion would be made by the patent office. They could, of course, receive information from other individuals that they believe fraud has occurred, but the PTO would be the one that made the determination of fraud.

Mr. Coble. I thank the gentleman.

Mr. Chairman, I have --

Ms. Lofgren. Would the gentleman yield?

Chairman Smith. Who else seeks recognition?

Mr. Goodlatte. I think the gentleman from North Carolina has --

Mr. Coble. I have the time.

Ms. Lofgren. Would the gentleman yield?

Mr. Coble. I will indeed.

Ms. Lofgren. Thank you, Mr. Coble.

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

Mr. Coble. I reclaim it. I commend the gentleman
Roanoke. He does a good job. But I have some problems as well, but then I yield back.

Ms. Jackson Lee. Would the gentleman yield?

Mr. Coble. I have already yielded back.

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

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

Chairman Smith. The gentleman is recognized for five minutes?

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

Now, what is a supplemental examination? Section 11 of the American Invents Act, H.R. 1249, establishes a new supplemental examination proceeding that allows patentees to get a second look at their patents from the U.S. PTO in light of any information that the patent owner believes to be relevant. If the U.S. PTO finds that the information raises a substantial new question of patentability, its
expert examiners will formally reexamine the patent, which could result in cancellation of claims, loss of patent, or limitations on its scope.

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

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

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

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

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

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

Under the Goodlatte amendment, patentees who already put their patents at risk by voluntarily bringing new information to the U.S. PTO must assume that the U.S. PTO
could deny them reexamination and charge them with fraud instead. Even a small possibility that this could happen would prevent even innocent patentees from using supplemental examination all together because a fraud charge could have devastating implications in the form of shareholder lawsuits and for unfair competition, litigation, and other potential civil and criminal liability. Meanwhile, any needed corrections to the patent would be denied, and questions about the patent's validity would remain unresolved.

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

So, for that reason I would --

Ms. Jackson Lee. Would the gentleman lead?

Mr. Johnson. I will yield.

Ms. Jackson Lee. The gentleman's argument is very cogent. But also to Mr. Goodlatte, and I appreciate his argument, the fraud definition is defined in the legislation overall. The idea of the supplemental provision is to bring more information to determine the quality of the invention
and thereby, Mr. Goodlatte's amendment undermines the basic premise of the language to bring quality issues to the table. If there is fraud, the PTO has that jurisdiction in my opinion. I would oppose the amendment.

Chairman Smith. The gentleman's time has expired.

Who wishes to be recognized?

Mr. Gallegly. Mr. Chairman.

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

Mr. Gallegly. Strike the last word.

Chairman Smith. The gentleman is recognized for five minutes?

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

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

First of all, with regard to the claim that this process wouldn't work, it is the same definition of fraud that you have in the application process itself. So, the argument that you are not going to find out about it until after the fact is not necessarily the case. And the reason
is that many things are fraudulent on their face, and the
Patent Office rules against patents right now that are
fraudulent. So, if they find it fraudulent on its face
during this re-exam process, they would act on it
immediately. So, I think that is simply not a valid
argument.

The argument that some claim made by the gentleman
from Georgia that my amendment would prohibit patent owners
from coming forward and bringing forth material evidence;
however, nothing in this amendment prohibits a good faith
patent owner from coming forward when he discovers a
material mistake has been made in the application. What the
amendment prevents is a PTO blessed cleansing of a
fraudulent patent. And what I fear, and many fear, is that
if this new process goes into effect without guidance about
fraud, what we are going to have are people gaming the
system. They are going to deliberately withhold damaging
material and then try to come into this reexamination
process and effectively cleanse the patent when that occurs.
So, I believe that like in the other sections of
legislation related to patents, and like in the need to
prevent fraud in these other areas, there is a need to
address it here. And I think this is a very fair way to go about allowing this new process to take place, but not for the purpose of cleansing fraud tainted patents.

Mr. Johnson. Would the gentleman yield?

Mr. Goodlatte. I will.

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

Mr. Gallegly. I would yield.

Mr. Johnson. All right. Thank you.

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

Mr. Goodlatte. Would the gentleman yield?

Mr. Johnson. I will.

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

Chairman Smith. The gentleman from California has the
time?

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

Mr. Johnson. If the gentleman would yield.

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

I urge my colleagues to support this amendment.

I yield back the balance of my time.

Mr. Johnson. And would the gentleman yield?

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

Chairman Smith. The gentleman yields back the balance of his time.
Anyone else want to be heard on this amendment? If not, we will go --

Mr. Issa. Mr. Chairman?

Chairman Smith. Who seeks recognition?

Mr. Issa. Mr. Chairman --

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

Mr. Issa. Thank you, Mr. Chairman. I will be brief. As one who has a great many patents, albeit many expiring and only a few pending, the fact is that this examination process is a tool for the patent holder to clear up a problem. Normally and often, it is because you sent somebody out a notice that they are in fact infringing your patent. They send you back why the heck they are not. You look and say, oops. Well, they are still infringing if I amend, and so you go back in, ex parte, and you seek to amend on a one-sided basis, try to get your patent appropriately narrowed so that you retain claims. This is a tool for -- and as an inventor it is a good tool. It is a tool that allows supplemental discovery not to have you have to go to court and argue with somebody less knowledgeable, the Patent Office. But at the same time, the fact is, I
trust no one more to be fair with the inequitable conduct of fraud than the Patent Office. They do not look for it. They do not seek it out. But when they find it, they should react. And I think all of us here look at the Patent Office as effectively a neutral party, some of us claim too easy for patents, some of us claim too hard for patents. But they do not easily find fraud. They do not easily invalidate patents. They do not easily do this. The fact is, as a patent holder, when I go to the Patent Office, I find a very friendly, audience who want me to get what I am entitled to. They work with us to do it. And when we come back to narrow claims or even with continuations and so on, they tend to be very cooperative. This is about simply saying, if you reopen, then what they find, they should be able to use. And, remember, this is narrow. Whatever you give them is only limited to the portions of your patent it applies to. But if I think a new discovery only applies to claim 1, they have every obligation to say, no, it applies to all your independent claims, and we have to go through that process.

So, I would strongly suggest the gentleman from Virginia has found a clear example where we should give the
PTO the appropriate authority. I strongly support it.

Mr. Johnson. Would the gentleman yield?

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

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

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

Mr. Johnson. Would the gentleman yield?

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

Mr. Johnson. Would the gentleman yield?

Mr. Issa. I will in a second. But from a practical standpoint, the Patent Office does not refer for criminal.

They do not look at that. What they say is, look, for example, you knew. You clearly knew about this prior art. You did not disclose it. That would be an example of fraud.

Now, understand, every time I have ever been a plaintiff or a defendant in a suit, I am positive we alleged inequitable conduct. This is not the allegation of
inequitable conduct. This is a simple evidence that
uncovers itself in a one-sided communication in which you do
not attempt to tell the Patent Office you that you have
committed fraud. They simply find that it reveals itself.
I yield to the gentleman.
Mr. Johnson. Would the gentleman yield?
Mr. Issa. I have yielded to the gentleman from
Georgia.
Mr. Johnson. Thank you. As far as inequitable
conduct is concerned, what this supplemental examination
practice would enable is for people who may have made
mistakes, patentees who may have made some kind of mistake,
or perhaps their attorney made a mistake in terms of leaving
out some information that was germane to the patent.
Mr. Issa. And reclaiming my time, that is exactly
right. That is the reason this tool exists. But, remember,
if in fact you knew about the information and you are simply
giving it to the Patent Office because somebody is in the
process of invalidating your patent, and you rush in a one-
sided procedure to try to get the full faith of the PTO
behind the assumption of validity, then in fact they should
be able to ask -- and they do -- the reasonable question of,
well, okay, when did you get this information? Why did you not know it, you know? What you are giving us today is printed on your stationery. What you are giving us today are your instruction manuals. Why did you not know or we should not hold you to know about your own prior art. Those would be examples where I think they need to make the judgment call.

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

Chairman Smith. The gentleman has yielded back his time.

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

[Chorus of ayes.]

Chairman Smith. All opposed, nay?

[Chorus of nays.]

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

Ms. Kish. Mr. Smith?

Chairman Smith. Present.

Ms. Kish. Mr. Smith votes present.

Mr. Sensenbrenner?
Mr. Sensenbrenner. No.

Ms. Kish. Mr. Sensenbrenner votes no.

Mr. Coble?

Ms. Kish. Mr. Coble votes no.

Mr. Gallegly?

Mr. Gallegly. Pass.

Mr. Kish. Mr. Gallegly votes to pass.

Mr. Goodlatte?

Mr. Goodlatte. Aye.

Ms. Kish. Mr. Goodlatte votes aye.

Mr. Lungren?

Mr. Lungren. Aye.

Ms. Kish. Mr. Lungren votes aye.

Ms. Kish. Mr. Chabot?

Mr. Chabot. Yes.

Ms. Kish. Mr. Chabot votes yes.

Ms. Kish. Mr. Issa?

Mr. Issa. Aye.

Mr. Kish. Mr. Issa votes aye.

Mr. Pence?

[No response.]

Ms. Kish. Mr. Forbes?
Mr. Forbes. Aye.

Ms. Kish. Mr. Forbes votes aye.

Mr. King?

[No response.]

Ms. Kish. Mr. Franks?

Mr. Franks. Aye.

Ms. Kish. Mr. Franks votes aye.

Mr. Gohmert?

[No response.]

Ms. Kish. Mr. Jordan?

[No response.]

Ms. Kish. Mr. Poe?

[No response.]

Mr. Chaffetz?

Mr. Chaffetz. Aye.

Ms. Kish. Mr. Chaffetz votes aye.

Mr. Griffin?

Mr. Griffin. Aye.

Ms. Kish. Mr. Griffin votes aye.

Mr. Marino?

Mr. Marino. Aye.

Ms. Kish. Mr. Marino votes aye.
Mr. Gowdy?

Mr. Gowdy. Aye.

Ms. Kish. Mr. Gowdy votes aye.

Mr. Ross?

Mr. Ross. Aye.

Ms. Kish. Mr. Ross votes aye.

Ms. Adams?


Mr. Quayle?

Mr. Quayle. Aye.

Ms. Kish. Mr. Quayle votes aye.

Mr. Conyers?

Mr. Conyers. Aye.

Ms. Kish. Mr. Conyers votes aye.

Mr. Berman?

Mr. Berman. Aye.

Ms. Kish. Mr. Berman votes aye.

Mr. Nadler?

Mr. Nadler. Aye.

Ms. Kish. Mr. Nadler votes aye.

Mr. Scott?
3164   Mr. Scott.  Aye.
3165   Ms. Kish.  Mr. Scott votes aye.
3166   Mr. Watt?
3167   Mr. Watt.  Aye.
3168   Ms. Kish.  Mr. Watt votes aye.
3169   Ms. Lofgren?
3170   Ms. Lofgren.  Aye.
3171   Ms. Kish.  Ms. Lofgren votes aye.
3172   Ms. Jackson Lee?
3173   Ms. Jackson Lee.  No.
3174   Ms. Kish.  Ms. Jackson Lee votes no.
3175   Ms. Waters?
3176   Ms. Waters.  Aye.
3177   Ms. Kish.  Ms. Waters votes aye.
3178   Mr. Cohen?
3179   Mr. Cohen.  Pass.
3180   Ms. Kish.  Mr. Cohen votes to pass.
3181   Mr. Johnson?
3182   Mr. Johnson.  No.
3183   Ms. Kish.  Mr. Johnson votes no.
3184   Mr. Pierluisi?
3185   Mr. Pierluisi.  No.
Ms. Kish. Mr. Pierluisi votes no.

Mr. Quigley?

[No response.]

Ms. Kish. Ms. Chu?

Ms. Chu. No.

Ms. Kish. Ms. Chu votes no.

Mr. Deutch?

Mr. Deutch. Aye.

Ms. Kish. Mr. Deutch votes aye.

Ms. Sanchez?

[No response.]

Ms. Kish. Ms. Wasserman Schultz?

Chairman Smith. Are there any other members who wish to record their votes? The gentleman from Iowa, Mr. King.

Mr. King. Aye.

Ms. Kish. Mr. King votes aye.

Chairman Smith. The gentleman from Indiana, Mr. Pence.

Mr. Pence. No.

Ms. Kish. Mr. Pence votes no.

Chairman Smith. The clerk will report.

The clerk will suspend.
The gentleman from California, Mr. Gallegly.

Mr. Gallegly. No.

Chairman Smith. Votes no.

Ms. Kish. Mr. Gallegly votes no.

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

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

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

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

Chairman Smith. The gentleman is recognized for five minutes?

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

Chairman Smith. Thank you, Mr. Griffin.

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

And the gentlewoman from California is recognized?

Ms. Waters. Thank you very much, Mr. Chairman. I have an amendment at the desk.

Chairman Smith. The clerk will report the amendment.

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

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

[The information follows:]
Ms. Waters. Mr. Chairman, I want to thank you in advance for your support for my amendment. It is an uncontroversial and important measure that I believe will supply Congress with the critical research and analysis it needs to ensure that H.R. 1249 is achieving its intended policy objective.

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

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

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

I yield back the balance of my time.

Chairman Smith. Thank you, Ms. Waters.
I support the amendment.
All in favor of the amendment, say aye.
[Chorus of ayes.]
Chairman Smith. Opposed, nay?
[No response.]
The amendment is agreed to.
We only have three or four more amendments remaining that I am aware of. Please return after this series of votes. And we now will take a recess and reconvene after the last vote.
[Recess.]
Chairman Smith. The Judiciary Committee will resume our mark-up, and we will now go to an amendment offered by the gentlewoman from California, Ms. Lofgren?
Ms. Lofgren. Thank you, Mr. Chairman.
I would ask that Lofgren 15 at the desk be brought forward.
Chairman Smith. The clerk will report the amendment.
Ms. Kish. "Amendment to H.R. 1249 offered by Ms. Zoe Lofgren of California, page 99" --
Chairman Smith. Without objection, the amendment will be considered as read.
3284 [The information follows:]

3285
Chairman Smith. The gentlewoman is recognized to explain her amendment?

Ms. Lofgren. Thank you, Mr. Chairman.

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

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

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

Giving the PTO the theoretical power to punish fraud, which they already have in other ways under law, does not ensure that they will be able to identify. As we know, under law, a defendant can defend an infringement suit by
alleging that a patent applicant committed inequitable conduct. That requires proving that the applicant made a misrepresentation, omission, or falsification of material information with intent to deceive or mislead the Patent Office. If the defendant can prove this allegation in court, the patent is unenforceable.

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

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

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

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

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

I think those concerns are not illegitimate, but I think creating a new administrative procedure is not the answer. If these are real problems, then the standard for a finding of inequitable conduct should be refined
accordingly. And, as a matter of fact, the Federal circuit is currently considering a case en banc that could do exactly that. This would be in addition to the other safeguards for patent owners that already exist, including burdens to plead allegations of inequitable conduct with particularity, and then to prove them with clear and convincing evidence. So, while I commend Mr. Goodlatte for his effort and his recognition that the bill creates problems, I think the wiser course is simply to strike this whole section and move forward. And with that, I yield back the balance of my time. Chairman Smith. Thank you, Ms. Lofgren. Mr. Johnson. I would like to strike the last word. Chairman Smith. Let me recognize myself in opposition and then I will be happy to recognize other members. The gentlewoman's amendment strikes the supplemental examination feature from the bill. The National Academies and the Federal Trade Commission published major studies of the patent system prior to congressional debate that began on this project in 2005. One feature of the patent system that they criticized
is the inequitable conduct defense. This occurs when an infringer alleges that the patent holder made a material misstatement or an omission with the intent to deceive PTO when applying for a patent.

While the law should punish genuine deception, the defense is reflexively pled in every case almost regardless of the facts. Because penalties for inequitable conduct are severe, including loss of the patent and attorney's fees, inventors frequently do not read prior art for their inventions for fear that citation of a patent in their application may expose them to sanctions under the inequitable conduct doctrine.

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

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

The provision allows the inventor to come forward and
correct any mistake regarding one or more claims, but that act does not constitute evidence of inequitable conduct that can be used by an infringer in a lawsuit against them. Let me let other individuals who seek to be recognized on this bill. The gentleman from Georgia, Mr. Johnson? Mr. Johnson. Thank you, Mr. Chairman. I move to strike the last word. Chairman Smith. The gentleman is recognized for five minutes? Mr. Johnson. All patent owners have an interest in strong, quality patents. Thus, I applaud this new supplemental examination procedure, which is found in the Chairman's bill. This procedure establishes a new supplemental proceeding that allows patentees to bring relevant information not considered or available at the time the patent was originally issued, to the Patent Office for a second look. If the U.S. PTO finds that the information raises a substantial new question of patentability, its expert examiners will formally reexamine the patent, which could result in cancellation of claims, loss of the patent, or limitations on its scope.
Supplemental examination will not be available to fix mistakes or admissions first brought to light by a third party in litigation, and the bill expressly states that this new proceeding does not preclude the imposition of sanctions on a patent owner based upon any relevant criminal or anti-trust laws. And this provision is definitely within the public interest.

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

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

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

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

Mr. Goodlatte. I would strike the last word.

Chairman is recognized for five minutes?

Mr. Goodlatte. Thank you, Mr. Chairman.

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

Chairman Smith. Thank you, Mr. Goodlatte.

Ms. Jackson Lee. Mr. Chairman?

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

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

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

But on the supplemental procedure, what I like about it is that it allows you to come in -- I do not know whether you call yourself a clean-up batter or you call yourself
someone who is shining the light on whatever the invention and product that you have offered. And I take issue. I have said this before. I was not able to expand on it. There is a fraud definition in this bill, and I do believe that the PTO has a good eye for knowing what are the gamers and who is there seriously presenting an opportunity to create an invention, thereby a patent, and to move forward on creating jobs or selling to the world market.

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

I will yield to the gentlelady.

Ms. Lofgren. I thank the gentlelady for yielding.

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

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

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

With that, I yield back and oppose the amendment.

Chairman Smith. Thank you, Ms. Jackson Lee.

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

[Chorus of ayes.]

Chairman Smith. All opposed, say nay.

[Chorus of nays.]

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

Ms. Lofgren. Could I have a recorded vote?

Chairman Smith. A recorded vote has been requested,
and the clerk will call the roll.

Ms. Kish. Mr. Smith?
Chairman Smith. No.
Ms. Kish. Mr. Smith votes no.
Mr. Sensenbrenner?
[No response.]
Ms. Kish. Mr. Coble?
Mr. Gallegly?
Mr. Gallegly. No.
Mr. Kish. Mr. Gallegly votes no.
Mr. Goodlatte?
Mr. Goodlatte. No.
Ms. Kish. Mr. Goodlatte votes no.
Mr. Chabot?
[No response.]
Ms. Kish. Mr. Issa?
Mr. Issa. No.
Mr. Kish. Mr. Issa votes no.
Mr. Pence?
[No response.]
Ms. Kish. Mr. Forbes?
[No response.]
Ms. Kish. Mr. King?

Mr. Franks?

Mr. Franks. No.

Ms. Kish. Mr. Franks votes no.

Mr. Gohmert?

[No response.]

Ms. Kish. Mr. Jordan?

[No response.]

Ms. Kish. Mr. Poe?

[No response.]

Ms. Kish. Mr. Chaffetz?

[No response.]

Ms. Kish. Mr. Griffin?

[No response.]

Ms. Kish. Mr. Marino?

Mr. Marino. No.

Ms. Kish. Mr. Marino votes no.

Mr. Gowdy?

Mr. Gowdy. No.

Ms. Kish. Mr. Gowdy votes no.

Mr. Ross?

[No response.]
Ms. Kish. Ms. Adams?

Ms. Adams. No.

Ms. Kish. Ms. Adams votes no.

Mr. Quayle?

Mr. Quayle. No.

Ms. Kish. Mr. Quayle votes no.

Mr. Conyers?

Mr. Conyers. Aye.

Ms. Kish. Mr. Conyers votes aye.

Mr. Berman?

[No response.]

Ms. Kish. Mr. Nadler?

Mr. Nadler. Aye.

Ms. Kish. Mr. Nadler votes aye.

Mr. Scott?

Mr. Scott. Aye.

Ms. Kish. Mr. Scott votes aye.

Mr. Watt?

Mr. Watt. Aye.

Ms. Kish. Mr. Watt votes aye.

Ms. Lofgren?

Ms. Lofgren. Aye.
Ms. Kish. Ms. Lofgren votes aye.

Ms. Jackson Lee?

Ms. Jackson Lee. No.


Ms. Waters?

[No response.]

Ms. Kish. Mr. Cohen?

Mr. Cohen. Aye.

Ms. Kish. Mr. Cohen votes to aye.

Mr. Johnson?

Mr. Johnson. No.

Ms. Kish. Mr. Johnson votes no.

Mr. Pierluisi?

Mr. Pierluisi. No.

Ms. Kish. Mr. Pierluisi votes no.

Mr. Quigley?

Mr. Quigley. No.

Ms. Kish. Mr. Quigley votes no.

Ms. Chu?


Ms. Kish. Ms. Chu votes aye.

Mr. Deutch?
Mr. Deutch. No.

Ms. Kish. Mr. Deutch votes no.

Ms. Sanchez?

Ms. Sanchez. No.

Ms. Kish. Ms. Sanchez votes no.

Ms. Wasserman Schultz?


Chairman Smith. Are there other members who be recorded? The gentleman from Ohio?

Mr. Chabot. No.

Ms. Kish. Mr. Chabot votes no.

Chairman Smith. The gentleman from California?

Mr. Lungren. No.

Ms. Kish. Mr. Lungren votes no.

Chairman Smith. The gentleman from North Carolina?

Mr. Coble. No.

Ms. Kish. Mr. Coble votes no.

Chairman Smith. The gentleman from Utah?

Mr. Chaffetz. No.

Ms. Kish. Mr. Chaffetz votes no.

Chairman Smith. The gentlewoman from Florida?
Ms. Wasserman Schultz. I vote aye.


Chairman Smith. The gentlewoman from California?

Ms. Chu. No.


Chairman Smith. The gentleman from California, Mr. Berman?

Mr. Berman. Aye.

Ms. Kish. Mr. Berman votes aye.

Chairman Smith. Are there other members who wish to be recorded? The gentleman from Arkansas?

Mr. Griffin. No.

Ms. Kish. Mr. Griffin votes no.

Chairman Smith. The clerk will report.

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

Chairman Smith. The majority having voted against the amendment, the amendment is not agreed to.

We will now go to two Jackson Lee amendments. And if the gentlewoman from Texas will offer her two amendments in block, we are prepared to accept them?

Ms. Jackson Lee. I thank the chairman. I have an
amendment at the desk, and I would be willing to take them in block.

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

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

[The information follows:]
Chairman Smith. The gentlewoman from Texas will be recognized to explain them?

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

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

And I view this as all inventors. My good friend Mr. Issa indicated that he is a well-documented inventor. He is of sizable proportion. There are others that are just beginning. There are universities that have concern about this first to file.
I want to make sure that this system can be utilized to encourage all aspects of invention in the United States, from business, to universities, to small. And so, this is a sense of Congress, amendment number 16, that speaks specifically to the question of making sure that we know in this bill that it is to encourage a system that gives greater certainty, less ambiguity, and more protection to our inventors.

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

My amendment number 17 indicates that the first to file is good for promoting certainty for inventors and businesses, both large and small, and helps to keep American business competitive on a global level. If there is one thing that has driven, I believe, this patent reform, it is what many of us have seen overseas, and the unfortunate fleeting of our ideas, and the poisoning, if you will, of the competition system as it relates to patents.
And so, I would argue vigorously that it is extremely important that we keep on this track, and my amendments are a sense of Congress to restate our commitment that would harmonize the United States patent registration system with the patent registration systems that are used around the world, and so that we have a system that cannot be cheated on, and we have a system that is working.

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

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

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

[Chorus of ayes.]

Chairman Smith. Opposed, nay?

[No response.]

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

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

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

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

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

Chairman Smith. The clerk will report the amendment. Ms. Wasserman Schultz. And I ask unanimous consent to waive the reading.

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

[The information follows:]
Chairman Smith. The gentlewoman is recognized to explain the amendment?

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

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

As many of you know, several years ago, just after my 41st birthday, I found a lump while doing a routine breast self-exam. And it was cancer. Luckily, I found my tumor early, and my treatments were initially fairly straightforward. I was supposed to have a lumpectomy and radiation, and that would have been the end of the story.

But an incredibly wise and thoughtful nurse educator asked the right questions about my family's health history that threw my story for a loop. I never would have known that as an Ashkenazi Jewish woman, a Jew of Eastern European descent with two paternal aunts who had had cancer, that there were some significant red flags in my genetic file.

I did not know that as an Ashkenazi Jew I was five times more likely to have the BRCA 1 or BRCA 2 mutation that drastically increases the likelihood of getting breast or ovarian cancer. I did not know that carriers of that mutated gene, the BRCA gene, have up to an 85 percent
lifetime chance of getting breast cancer, and up to a 60 percent chance of getting ovarian cancer. My nurse suggested that I take the BRCA test, and I could not be more grateful for her knowledge and advice. This process, however, presented a new set of challenges and questions for which no woman could ever be prepared. You see, there is only one test on the market for the BRCA mutations. The maker of this test not only has a patent on the gene itself, they also have an exclusive license for their laboratories to administer the test. So there is absolutely no way for someone who is questioning her genetic risk for breast or ovarian cancer to get a second opinion. This is intensified by the fact that for many woman, the test results are totally inconclusive. Imagine being faced with this decision: your genes hold the key to your survival. Having major body altering surgery could save your life, but the test results fail to give you any answers. What would you do in that situation? Some people might say that I was lucky. My tests clearly showed that I carried the BRCA 2 mutation, but there was absolutely nothing I could do to question these results
or receive a confirmatory test. In fact, I asked, what is the reliability of this test? And I was told it is 100 percent. And I said, well, is there any place I can get a second opinion? And I was told, no, because there is only one company that is licensed to offer the test.

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

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

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

In the past several decades, we have witnessed remarkable progress in the field of human genetics, which has successfully identified the genetic bases of more than 2,200 diseases. These genes are linked to breast cancer,
colon cancer, Parkinson's disease, Alzheimer's disease, stroke, coronary artery disease, and many others. This progress is fueled by innovation and the hard work of many brilliant minds.

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

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

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

Too often, existing tests can be inadequate because mutations of unknown significance are found in the gene
sequences, as if often the case for BRCA 1 and BRCA 2 genes. Competition, even in the narrow scope of allowing for a second opinion test, could reduce the unknowns and improve diagnoses and treatments.

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

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

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

Mr. Chairman, I plan to withdraw this amendment from consideration today. But I sincerely hope that we can work
together to strike the right balance between medical innovation and consumer protection because I know first-hand the stress of wanting a second opinion, but being unable to get it. With so much at stake, it is incredibly important that we give everyone in this situation as much certainty as we possibly can. We owe that much to those whose lives are in the balance.

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

Chairman Smith. Thank you, Ms. Wasserman Schultz. I am going to recognize myself to comment very briefly. And that is simply to say this is probably the best intentioned amendment this committee has considered in a long time. And there is no one better to offer this amendment than the gentlewoman from Florida.

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

Mr. Conyers. Mr. Chairman.

Chairman Smith. And the gentleman from Michigan, Mr.
Conyers, is recognized?

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

Chairman Smith. The gentlewoman from Texas, Ms. Jackson Lee.

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

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

With that, I will let me yield back.

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

Mr. Conyers. Mr. Chairman.

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

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

Chairman Smith. The clerk will report the amendment.

Mr. Conyers. And I thank the gentlelady from California, Ms. Chu, for allowing me to go in front of her.
It is already at the desk.

Chairman Smith. The clerk will report.

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

Clarification of applicability of transitional program for covered business method patents."

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

[The information follows:]
Chairman Smith. The gentleman is recognized to explain the amendment?

Mr. Conyers. Thank you, Chairman Smith.

Notwithstanding the tremendous efforts of Howard Berman and others in terms of meeting with a number of members to fashion some midpoint, and we still keep hope alive that we may be able to work something out. But I now offer this amendment seeking the support of the majority of members who are on this committee.

My amendment would amend the business method post-grant review provision by limiting the application to patents that have not already undergone prior reexamination. Moreover, this is a cost effective measure because it eliminates duplicated efforts at the Patent Office. We know how much it costs every time a patent is reviewed. And there is no policy justification for the Patent Office to be reexamining patents that have been examined once before and confirmed as valid.

So, I would urge the members of this committee to realize the time has come to deal with this, and I urge your support for the amendment.

And I return the balance of my time.
Chairman Smith. Thank you, Mr. Conyers. And I recognize myself in opposition to the amendment. This amendment carves out certain low-quality business method patents. Such a restriction defeats the purpose of the program and should be seen for what it is, an effort to wall off patents from review against the best available prior art, the prior art most likely to invalidate a business method patent.

Business method patents have not been examined against the best prior art during the original granting process. Examiners do not usually generally search for prior use or sale prior art because they do not have a robust library like they do for other patents or printed publications.

Second, the particular types of business method patents that are the focus of this transitional program were never examined against such prior art in reexamination because prior use and sale prior art is currently barred from admissibility by the PTO and reexamination. Even the PTO has encouraged Congress to create this proceeding. Further, no other area of patent law, either newly created by this bill or in the existing code, restricts access to examination proceedings.
Every time a patentee files a lawsuit, they also run the risk that a court will deem a defendant's prior art as invalidating a claim or patent. Similarly, each time a patent is reviewed by the PTO, the patent owner runs the risk the PTO will deem prior art as invalidating.

By passing this amendment, we are giving a particular patent immunity from review. This could even start a new trend. What would prevent a patentee from seeking their own ex parte re-exam in which they control the entire process and Teflon coat their own patents?

This amendment may in fact create a rush to the courthouse and even have the result of overwhelming the PTO. It creates a powerful incentive for patent trolls to file suit or take their own patents through ex parte re-examination to inoculate themselves against having their patents examined against the best prior art.

The patent right is a dynamic one. The meaning of the patent may turn on reexamination or in litigation. Strong patents are only strengthened through effective reexamination.

For these reasons, I oppose the ranking member's amendment.
Are there other members who wish to be heard on this amendment?

Mr. Berman. Mr. Chairman?

Chairman Smith. The gentleman from California, Mr. Berman, is recognized, and then we will go to the gentleman from Wisconsin?

Mr. Berman. Thank you, Mr. Chairman. Move to strike the last word.

Chairman Smith. The gentleman is recognized for five minutes?

Mr. Berman. To me, the right answer to this issue, the real right answer, is to have a more robust inter partes' re-exam. But we are where we are, and the right answer to deal with this business method patent issue is not to allow parties, who have lost judgments in the district court and made licensing agreements based on that and other settlements, to be able to get another bite at the apple, but that parties for whom no claim has yet been asserted of infringement. If they in fact have a substantial new question of patentability, should be allowed to raise it.

The amendment goes further than I would like, but unless that amendment passes, my fear is we will never change a
situation which allows the very same parties who litigated
these patents and lost to have that, in some cases, third or
even fourth bite at the apple. And so, I continue to
tepidly support the Conyers amendment.

Mr. Conyers. Would the chairman yield, please?
Chairman Smith. The chairman or --
Mr. Conyers. The chairman emeritus.

[Laughter.]
Mr. Berman. I am happy to yield.
Mr. Conyers. If this amendment succeeded, could we
not we continue the discussion of the modification that you
seek as this bill moves forward?
Mr. Berman. It is because I believe that is the case
that I am going to vote for this amendment.
Mr. Conyers. Thank you.
Mr. Berman. Because, to me, this amendment succeeding
is the best way to reach that ground that I think is
appropriate.

Mr. Sensenbrenner. Mr. Chairman?
Chairman Smith. Thank you, Mr. Berman.
The gentleman from Wisconsin, Mr. Sensenbrenner?
Mr. Sensenbrenner. Thank you.
I rise in support of the amendment. Mr. Chairman, I believe that this amendment is the only fair thing that we have on the table to deal with this issue. As has been said by the gentleman from Michigan and the gentleman from California, and before lunch by the other gentleman from California, is that this basically reopens something that has been settled. And I have no problem having a different standard apply prospectively, but to apply it retroactively means that someone who has won their case in the PTO and the PTO decided on re-review, that the patent was a valid patent, we should not legislatively overturn that decision or overturn that decision or the decision of a district court.

When I was the chairman, I scrupulously avoided turning over judicial decisions based upon statutory grounds until the process was ended. We reviewed a few of those, and then we decided what the thing was to do. The fair thing to do on this one is not to reopen this path statutorily, but instead to have a new standard. And I would hope that this amendment would be adopted.

Chairman Smith. Thank you, Mr. Sensenbrenner.

The gentleman from North Carolina, Mr. Watt?
Mr. Watt. Thank you, Mr. Chairman. I have listened to the arguments on this, and have been involved in trying to work this out in a way. I think I am, in some respects, where Mr. Berman is in the sense that I think we ought to be having a more robust review process, not only for business patents, but for other patents also.

But I am also where Mr. Berman is in concluding that Mr. Conyers' amendment is too broad, and would really be unfair and even upset potentially court cases that have already been decided and agreements that have already been entered into.

I differ with Mr. Berman, however, that passing the amendment is more likely to get us to the result that we will find a satisfactory resolution to this, because I think it will probably cause some people to start lobbying heavily against the bill, and may, in fact, result in a number of senators, who have an interest in this, walking away from the discussions rather than walking toward them.

So, while I am substantively where Mr. Berman is, I think my vote will be the opposite of where Mr. Berman is. I think we have gotten to a provision that a number of people have agreed to. And while I do not think either the
bill itself or Mr. Conyers' amendment is the right place for everybody to land, I do want to incentivize people to stay at the table and continue to work on this issue, and get to a resolution. And I, unlike Mr. Berman, believe that being on the opposite of the position will incentivize that. And the last thing that I hope this does is show everybody involved how difficult it has been to try to balance these issues and try to find resolutions that will allow all the parties to move forward. That has, as I have indicated at prior hearings, been my most important motivation in this whole process, keeping this process moving forward, because I think we need this bill, rather than getting so bogged down on particular issue that we get to a point that we cannot bring the parties together. So, I hope that this will enable that. If it does not, I may end up on a different position on it. But right now, I think my assessment is that the failure of the amendment is more likely to move us to the right conclusion than the passage of the amendment. With that, Mr. Chairman, I yield back. Chairman Smith. Thank you, Mr. Watt. Those are good points on which to end the debate.
We will now vote on the amendment. All those in favor of the amendment, say aye.

[Chorus of ayes.]

Chairman Smith. All those opposed, say nay.

[Chorus of nays.]

Mr. Conyers. A recorded vote is the best.

Chairman Smith. A recorded vote has been requested, and the clerk will call the roll.

And the clerk will call the roll.

Ms. Kish. Mr. Smith?

Chairman Smith. No...

Ms. Kish. Mr. Smith votes no.

Mr. Sensenbrenner?

Mr. Sensenbrenner. Aye.

Ms. Kish. Mr. Sensenbrenner votes aye.

Mr. Coble?

Mr. Coble. No.

Ms. Kish. Mr. Coble votes no.

Mr. Kish. Mr. Gallegly?

Mr. Gallegly. No.

Mr. Kish. Mr. Gallegly votes no.

Mr. Goodlatte?
[No response.]

4179 Ms. Kish. Mr. Lungren?

4180 Mr. Lungren. Lungren, yes.

4181 Ms. Kish. Mr. Lungren votes yes.

4182 Ms. Kish. Mr. Chabot?

4183 Mr. Chabot. No.

4184 Ms. Kish. Mr. Chabot votes no.

4185 Mr. Issa?

4186 [No response.]

4187 Ms. Kish. Mr. Pence?

4188 [No response.]

4189 Ms. Kish. Mr. Forbes?

4190 Mr. Forbes. No.

4191 Ms. Kish. Mr. Forbes votes no.

4192 Mr. King?

4193 Mr. King. No.

4194 Ms. Kish. Mr. King votes no.

4195 Mr. Franks?

4196 Mr. Franks. Aye.

4197 Ms. Kish. Mr. Franks votes aye.

4198 Mr. Gohmert?

4199 [No response.]
Ms. Kish. Mr. Jordan?
Mr. Jordan. No.
Ms. Kish. Mr. Jordan votes.
Mr. Poe?
Mr. Poe. No.
Mr. Kish. Mr. Poe votes no.
Mr. Chaffetz?
Mr. Chaffetz. No.
Ms. Kish. Mr. Chaffetz votes no.
Mr. Griffin?
Mr. Griffin. No.
Ms. Kish. Mr. Griffin votes no.
Mr. Marino?
[No response.]
Ms. Kish. Mr. Gowdy?
Mr. Gowdy. No.
Ms. Kish. Mr. Gowdy votes no.
Mr. Ross?
Mr. Ross. No.
Ms. Kish. Mr. Ross votes no.
Ms. Adams?
Ms. Adams. No.
Ms. Kish. Ms. Adams votes no.

Mr. Quayle?

Mr. Quayle. No.

Ms. Kish. Mr. Quayle votes no.

Mr. Conyers?

Mr. Conyers. Aye.

Ms. Kish. Mr. Conyers votes aye.

Mr. Berman?

Mr. Berman. Aye.

Ms. Kish. Mr. Berman votes aye.

Mr. Nadler?

Mr. Nadler. No.

Ms. Kish. Mr. Nadler votes no.

Mr. Scott?

Mr. Scott. No.

Ms. Kish. Mr. Scott votes no.

Mr. Watt?

Mr. Watt. No.

Ms. Kish. Mr. Watt votes no.

Ms. Lofgren?

Ms. Lofgren. Aye.

Ms. Kish. Ms. Lofgren votes aye.
Ms. Jackson Lee?
Ms. Waters?
[No response.]?
Ms. Kish. Mr. Cohen?
Mr. Cohen. Aye.
Ms. Kish. Mr. Cohen votes aye.
Mr. Johnson?
[No response.]
Ms. Kish. Mr. Pierluisi?
Mr. Pierluisi. No.
Ms. Kish. Mr. Pierluisi votes no.
Mr. Quigley?
Mr. Quigley. Aye.
Ms. Kish. Mr. Quigley votes aye.
Ms. Chu?
Ms. Kish. Ms. Chu votes aye.
Mr. Deutch?
Mr. Deutch. No.
Ms. Kish. Mr. Deutch votes no.
Ms. Sanchez?

Ms. Sanchez. Aye.

Ms. Kish. Ms. Sanchez votes aye.

Ms. Wasserman Schultz?

[No response.]

Chairman Smith. The gentleman from California?

Mr. Issa. No.

Ms. Kish. Mr. Issa votes no.

Chairman Smith. Gentleman from Virginia?

Mr. Goodlatte. No.

Chairman Smith. Gentleman from Pennsylvania?

Mr. Marino. No.

Mr. Kish. Mr. Pence.

Chairman Smith. Gentleman from Indiana?

Mr. Pence. No.

Chairman Smith. Gentleman from Texas?

Mr. Gohmert. No.

Chairman Smith. The clerk will report.

Ms. Kish. Mr. Chairman, 11 members voted aye, 24 members voted nay.

Chairman Smith. The majority having voted no, the amendment is not agreed to.
Let me ask Ms. Chu and Mr. Pierluisi, you all have non-controversial amendments, which I would recommend our colleagues support. Could I ask you to offer them very quickly and put your statement in the record? Maybe we can get to a final vote. Is that all right?

Gentlewoman from California, Ms. Chu?

Ms. Chu. Yes. I have an amendment at the desk.

Chairman Smith. The clerk will report the amendment.

Ms. Kish. "Amendment to"

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

[The information follows:]
Chairman Smith. The gentlewoman is recognized very quickly to briefly describe her amendment?

Ms. Chu. This amendment simply directs the Patent and Trademark Office to work with and support intellectual property law associations across the country, to establish pro bono programs designed to help independent inventors. It will make sure that independent inventors can navigate the complicated and extremely technical patent process.

Chairman Smith. Thank you. I would urge our colleagues to support the amendment.

All in favor, say aye.

[Chorus of ayes.]

Chairman Smith. Opposed, no?

[No response.]

Chairman Smith. The amendment is agreed to.

The gentleman from Puerto Rico, Mr. Pierluisi, is recognized?

Mr. Pierluisi. I have an amendment at the desk.

Chairman Smith. The clerk will report the amendment.

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

Chairman Smith. Without objection, the amendment is considered as read.
[The information follows:]
Chairman Smith. The gentleman is recognized to explain the amendment.

Mr. Pierluisi. It is not controversial, Mr. Chairman. The amendment I am offering would make a technical fix to Section 19(a) of the bill to ensure that this subsection applies with equal force to Puerto Rico and the other territories. As currently drafted, this section prohibits a State court from having jurisdiction over any patent lawsuit. However, the term "state" is not defined in that subsection or in the underlying section of the law. As a result, this provision could potentially be construed by a court to exclude the territories from its coverage, thereby allowing a patent suit to proceed in State court in Puerto Rico, for example. This could lead to foreign shopping as litigant who seeks to bring a patent case in State court would have an incentive to sue in Puerto Rico. My amendment would ensure that this situation does not happen and that the territories are treated identically to the States in this respect.

Chairman Smith. Would the gentleman yield?

Mr. Pierluisi. I do.

Chairman Smith. It is a great amendment. I urge my
colleagues to support it.  

All in favor, say aye.

[Chorus of ayes.]

Chairman Smith. Opposed, no?

[No response.]

Mr. Smith. The amendment is agreed to.

Without objection, I would like to put into the record a number of letters that we have received asking us to move the bill forward. They include letters from the Coalition for Patent Fairness, Coalition for 21st Century Patent Reform, Association of American Universities, Pharmaceutical Manufacturers Association, American Intellectual Property Lawyers Association, Biotechnology Industry Organization, the Financial Services Roundtable, American Institute of Certified Public Accountants, and letters from a number of individual corporations, including Toyota, DuPont, SAS, IBM, Eli Lilly, General Electric, and so forth. The list obviously demonstrates the broad support for this legislation.

[The information follows:]
Also, just on a quick personal note, it has been a long trip, but I think it has been worth the effort. This is an historic day. Regardless of the side you are on, this is major legislation that we are proceeding to get to the House floor. I think it is going to help patent owners. It is going to help U.S. companies. It is going to help small inventors as well.

A reporting quorum being present, the question is on reporting the bill, as amended, to the House.

Those in favor, say aye.

[Chorus of ayes.]

Chairman Smith. Opposed, no?

[Chorus of nays.]

Chairman Smith. The ayes have it, and the bill, as amended, is ordered reported favorably.

Without objection, the bill will be reported as a single amendment in the nature of a substitute incorporating amendments --

Mr. Conyers. A record vote is required.

Chairman Smith. And staff is authorized to make technical and conforming changes.

A record vote has been requested, and the clerk will
call the roll?
Ms. Kish. Mr. Smith?
Chairman Smith. Aye.
Ms. Kish. Mr. Smith votes aye.
Mr. Sensenbrenner?
Mr. Sensenbrenner. No.
Ms. Kish. Mr. Sensenbrenner votes no.
Mr. Coble?
Mr. Coble. Aye.
Ms. Kish. Mr. Coble votes aye.
Mr. Gallegly?
Mr. Gallegly. Aye.
Mr. Kish. Mr. Gallegly votes aye.
Mr. Goodlatte?
Mr. Goodlatte. Aye.
Ms. Kish. Mr. Goodlatte votes aye.
Mr. Lungren?
Mr. Lungren. Aye.
Ms. Kish. Mr. Lungren votes aye.
Ms. Kish. Mr. Chabot?
Mr. Chabot. Yes.
Ms. Kish. Mr. Chabot votes aye.
Mr. Issa?
Mr. Issa. Aye.
Mr. Kish. Mr. Issa votes aye.
Mr. Pence?
Mr. Pence. Aye.
Mr. Kish. Mr. Pence votes aye.
Mr. Forbes?
Mr. Forbes. Aye.
Ms. Kish. Mr. Forbes votes aye.
Mr. King?
Mr. King. No.
Ms. Kish. Mr. King votes no.
Mr. Franks?
Mr. Franks. Aye.
Ms. Kish. Mr. Franks votes aye.
Mr. Gohmert?
Mr. Gohmert. Aye.
Ms. Kish. Mr. Gohmert votes aye.
Mr. Jordan?
Mr. Jordan. Aye.
Ms. Kish. Mr. Jordan votes aye.
Mr. Poe?
Mr. Poe. Aye
Mr. Kish. Mr. Poe votes aye.
Mr. Chaffetz?
[No response.]
Ms. Kish. Mr. Griffin?
[No response.]
Ms. Kish. Mr. Marino?
Mr. Marino. Aye.
Ms. Kish. Mr. Marino votes aye.
Mr. Gowdy?
Mr. Gowdy. Aye.
Ms. Kish. Mr. Gowdy votes aye.
Mr. Ross?
Mr. Ross. Aye.
Ms. Kish. Mr. Ross votes aye.
Ms. Adams?
Mr. Quayle?
Mr. Quayle. Aye.
Ms. Kish. Mr. Quayle votes aye.
Mr. Conyers?
Mr. Conyers. No.
Ms. Kish. Mr. Conyers votes no.
Mr. Berman?
Mr. Berman. Aye.
Ms. Kish. Mr. Berman votes aye.
Mr. Nadler?
Mr. Nadler. Aye.
Ms. Kish. Mr. Nadler votes aye.
Mr. Scott?
Mr. Scott. Aye.
Ms. Kish. Mr. Scott votes aye.
Mr. Watt?
Mr. Watt. Aye.
Ms. Kish. Mr. Watt votes aye.
Ms. Lofgren?
Ms. Lofgren. Aye.
Ms. Kish. Ms. Lofgren votes aye.
Ms. Jackson Lee?
[No response.]
Ms. Kish. Ms. Waters?
[No response.]
Ms. Kish. Mr. Cohen?
Mr. Cohen. Aye.

Ms. Kish. Mr. Cohen votes aye.

Mr. Johnson?

[No response.]

Ms. Kish. Mr. Pierluisi?

Mr. Pierluisi. Aye.

Ms. Kish. Mr. Pierluisi votes aye.

Mr. Quigley?

Mr. Quigley. Aye.

Ms. Kish. Mr. Quigley votes aye.

Ms. Chu?


Ms. Kish. Ms. Chu votes aye.

Mr. Deutch?

Mr. Deutch. Aye.

Ms. Kish. Mr. Deutch votes aye.

Ms. Sanchez?

Ms. Sanchez. Aye

Ms. Kish. Ms. Sanchez votes aye.

Ms. Wasserman Schultz?

[No response.]

Ms. Kish. Mr. Griffin?
Mr. Griffin. Aye.

Ms. Kish. Mr. Griffin votes aye.

Chairman Smith. Are there other members who wish to be recorded? The gentlewoman from Texas?

Ms. Jackson Lee. I vote aye.


Chairman Smith. The gentleman from Utah barely made it in.

Ms. Kish. Mr. Chaffetz votes aye.

Chairman Smith. I am purposely waiting because I know that members do not want to miss this vote, and there still may be a couple who will be coming in momentarily.

The clerk will report.

Ms. Kish. Mr. Chairman, 32 members voted aye, 3 members voted nay.

Chairman Smith. Wow. That is great.

A majority having voted in favor of the bill, the bill is approved. There being no further business before the committee --

Mr. Conyers. Mr. Chairman?

Chairman Smith. The gentleman from Michigan, Mr. Conyers?
Mr. Conyers. Permit me to announce that we are losing Dr. Chrystal Sheppard, who has been with us three and a half years, sitting to my left. She is the only lawyer that I know that has a Ph.D. in molecular biology. And she goes to the University of Nebraska's law school. And we will miss her very, very much.

Chairman Smith. We wish her well.

[Applause.]

Chairman Smith. Good luck, my dear.

Ms. Sheppard. Thank you.

Chairman Smith. And that is a good conclusion. And, in fact, we are adjourned.

[Whereupon, at 4:19 p.m., the committee was adjourned.]