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THE PATENT REFORM ACT OF 2009

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Mr. LEAHY, from the Committee on the Judiciary, submitted the following

R E P O R T

together with

ADDITIONAL, SUPPLEMENTAL, AND MINORITY VIEWS

[To accompany S. 515]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to which was referred the bill (S. 515), to amend title 35, United States Code, to provide for patent reform, having considered the same, reports favorably thereon, with amendments, and recommends that the bill, as amended, do pass.

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I. BACKGROUND AND PURPOSE OF THE PATENT REFORM ACT OF 2009

A. PURPOSE OF THE BILL

The Constitution explicitly grants Congress the power to "promote the progress of science and useful arts, by securing for limited times to . . . inventors the exclusive right to their respective . . .

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discoveries."[1] Congress has responded by authorizing patents to issue to inventors of new and useful inventions or improvements on inventions.[2] The patent law thus accomplishes two objectives, consistent with the authorization granted by the Constitution: first, it encourages inventors by granting them limited, but exclusive rights to their inventions; second, in exchange for the grant of those exclusive rights, the patent law requires disclosure of the invention and terminates the monopoly after a period of years.[3] This disclosure and limited time benefits both society and future inventors by making the details of the invention available to the public immediately, and the right to make use of that invention after the expiration of 20 years from the date the patent application was filed.

Congress has not enacted comprehensive patent law reform in more than 50 years.[4] The object of the patent law today must remain true to the constitutional command, but its form needs to change, both to correct flaws in the system that have become unbearable, and to accommodate changes in the economy and the litigation practices in the patent realm. The need to update our patent laws has been meticulously documented in eight hearings before the United States Senate Committee on the Judiciary, in addition to reports written by the Federal Trade Commission and the National Academy of Sciences,[5] hearings before the House of Representatives Judiciary Committee's Subcommittee on the Internet, Intellectual Property, and the Courts, and a plethora of academic commentary.[6]

While Congress has considered patent reform legislation over the last three Congresses, the need to modernize our patent laws has found expression in the courts, as well. The Supreme Court has reversed the Federal Circuit in five of the patent related cases that it has heard since the beginning of the 109th Congress.[7] The

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[1] U.S. Const. Art. 1, 8.

[2] See 35 U.S.C. 101.

[3] See Perspectives on Patents: Post-Grant Review Procedures and Other Litigation Reforms: Hearing before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2006) (statement of Nathan P. Myhrvold, Chief Executive Officer, Intellectual Ventures); Perspectives on Patents: Hearing before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Dean Kamen, President, DEKA Research and Development Corp.).

[4] The last major revision of the patent laws was the Patent Act of 1952, P.L. 82–593.

[5] The National Academy of Science (NAS), and the Federal Trade Commission (FTC) conducted multi-year studies on the patent system and its need for reform. See National Research Council of the National Academies, "A Patent System for the 21st Century" (2004) (hereinafter "NAS Report"); and "Federal Trade Comm'n, to Promote Innovation: The Proper Balance of Competition and Patent Law and Policy" (2003) (hereinafter "FTC Report").

[6] See, e.g., Mark A. Lemley and Carl Shapiro, Patent Holdup and Royalty Stacking, 85 Tex. L. Rev. 1991 (2007); Donald S. Chisum, Reforming Patent Law Reform, 4 J. Marshall Rev. Intell. Prop. L. 336 (2005); Gerald J. Mossinghoff, The First-to-Invent Rule in the U.S. Patent System has Provided no Advantage to Small Entities, 87 JPTOS 514 (2005); Joseph Farrell & Robert P. Merges, Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help, 19 Berkeley Tech. L.J. 943, 958 (2004); see also Adam B. Jaffe & Josh Lerner, Innovation and Its Discontents: How Our Broken Patent System is Endangering Innovation and Progress, and What to Do About It (2004); Kevin G. Rivette & David Kline, Rembrandts in the Attic, Unlocking the Hidden Value of Patents (2000).

[7] See Quanta Computer, Inc. v. LG Elecs. Inc., ▮ U.S., ▮, 128 S.Ct. 2109 (2008) (reversing the Federal Circuit and holding that patent exhaustion applies to method patents when the essential or inventive feature of the invention is embodied in the product); Microsoft Corp. v. AT&T Corp., 550 U.S. 437 (2007) (reversing the Federal Circuit and limiting the extraterritorial reach of section 271(f), which imposes liability on a party which supplies from the U.S. components of a patented invention for combination outside the U.S.); KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398 (2007) (reversing the Federal Circuit and strengthening the standard for determining when an invention is obvious under section 103); MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007) (reversing the Federal Circuit and holding that the threat of a private enforcement action is sufficient to confirm standing under the Constitution); eBay Inc. v.

Court's decisions have moved in the direction of improving patent quality and making the determination of patent validity more efficient. The decisions reflect a growing sense that questionable patents are too easily obtained and are too difficult to challenge.[8] Recent decisions by the Federal Circuit reflect a similar trend in response to these concerns.[9] But the courts are constrained in their decisions by the text of the statutes at issue. It is time for Congress to act.

The voices heard during the debate over changes to the patent law have been diverse and their proposals have been far from uniform. They have focused the Committee's attention on the value of harmonizing our system for granting patents with the best parts of other major patent systems throughout the industrialized world for the benefit of U.S. patent holders; improving patent quality and providing a more efficient system for challenging patents that should not have been issued; and reducing unwarranted litigation costs and inconsistent damage awards.

The purpose of the Patent Reform Act of 2009, as reported by the United States Senate Committee on the Judiciary, is to ensure that the patent system in the 21st century reflects the constitutional imperative. Congress must promote innovation by granting inventors temporally limited monopolies on their inventions in a manner that ultimately benefits the public through the disclosure of the invention to the public. The legislation is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.

If the United States is to maintain its competitive edge in the global economy, it needs a system that will support and reward all innovators with high quality patents. The Committee has taken testimony from, and its members have held meetings with interested parties that have different, and often conflicting, perspectives on the patent system. The Committee has taken all of those views into consideration, and amended the Patent Reform Act of 2009 to balance the competing interests. The version of the legislation ordered reported by the Committee on a vote of 15–4 is a consensus approach that will modernize the United States patent system in significant respects.

B. BACKGROUND AND SUMMARY OF THE BILL

Right of the first inventor to file

The Patent Reform Act of 2009 creates a new "first-inventor-to-file" system. Every industrialized nation other than the United States uses a patent priority system commonly referred to as "first-to-file." In a first-to-file system, when more than one application claiming the same invention is filed, the priority of a right to a pat-

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MercExchange, L.L.C., 547 U.S. 388 (2006) (reversing the Federal Circuit and holding that the generally applicable four-factor test for injunctive relief applies to disputes in patent cases).

[8] See generally Patent Reform in the 111th Congress: Legislation and Recent Court Decisions, Senate Judiciary Committee, 111th Cong. (2009) (statement of Professor Mark A. Lemley, Stanford Law School).

[9] See, e.g., In re Seagate Tech., LLC, 497 F.3d 1360 (Fed. Cir. 2007) (holding that willful infringement requires at least a demonstration of objectively reckless behavior and removing any affirmative obligation to obtain an opinion of counsel letter to combat an allegation of willful infringement); In re Bilski, 545 F.3d 943 (Fed. Cir. 2008) (limiting significantly the availability of business method patents by applying a machine-or-transformation test for determining patent eligibility under section 101).

ent is based on the earlier-filed application. The United States, by contrast, currently uses a "first-to-invent" system, in which priority is established through a proceeding to determine which applicant actually invented the claimed invention first. Differences between the two systems arise in large part from the date that is most relevant to each respective system. In a first-to-file system, the filing date of the application is most relevant;[10] the filing date of an application is an objective date, simple to determine, for it is listed on the face of the patent. In contrast, in a first-to-invent system, the date the invention claimed in the application was actually invented is the determinative date. Unlike the objective date of filing, the date someone invents something is often uncertain, and, when disputed, typically requires corroborating evidence as part of an adjudication.

There are significant, practical differences between the two systems. Among them, is the ease of determining the right to a claimed invention in the instance in which two different people file patent applications for the same invention. In a first-to-file system, the application with the earlier filing date prevails and will be awarded the patent, if one issues. In the first-to-invent system, a lengthy, complex and costly administrative proceeding (called an "interference proceeding") must be conducted at the United States Patent and Trademark Office ("USPTO") to determine who actually invented first.[11] Interference proceedings can take years to complete (even if there is no appeal to the United States Court of Appeals for the Federal Circuit), cost hundreds of thousands of dollars, and require extensive discovery.[12] In addition, since it is always possible an applicant could be involved in an interference proceeding, companies must maintain extensive recording and document retention systems in case they are later required to prove the date they invented the claimed invention.

Another important difference is that in some first-to-file systems, prior art can include the inventor's own disclosure of his invention prior to the filing date of his application. Such systems do not provide the inventor any grace period during which time he is allowed to publish his invention without fear of it later being used against him as prior art. The Committee heard from universities and small inventors, in particular, about the importance of maintaining that grace period in our system.[13] They argued that the grace period affords the necessary time to prepare and file applications, and in some instances, to obtain the necessary funding that enables the inventor to prepare adequately the application. In addition, the grace period benefits the public by encouraging early disclosure of

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[10] Wherever the term "filing date" is used herein, it is meant to also include, where appropriate, the effective filing date, i.e., the earliest date the claim in an application claims priority.

[11] See 35 U.S.C. 135.

[12] See, e.g., Robert W. Pritchard, The Future is Now—The Case for Patent Harmonization, 20 N.C. J. Int'l L. & Com. Reg. 291, 313 (1995).

[13] See, e.g., Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Charles E. Phelps, Provost, University of Rochester, on behalf of the Association of American Universities); Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Carl Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation (WARF)); Perspective on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of William Parker, Diffraction, Ltd.).

new inventions, regardless of whether an application may later be filed for a patent on it.

Numerous organizations, institutions, and companies have advocated the U.S. adopt a first to file system similar to those used in the rest of the world.[14] The National Academy of Sciences made a similar recommendation after an extensive study of the patent system.[15] When the United States patent system was first adopted, inventors did not typically file in other countries. It is now common for inventors and companies to file for protection in several countries at the same time.[16] Thus United States applicants, who also want to file abroad, are forced to follow and comply with two different filing systems. Maintaining a filing system so different from the rest of the world disadvantages United States applicants who, in most instances, also file in other countries.[17] A change is long overdue.[18]

Drawing on the best aspects of the two existing systems, the Patent Reform Act of 2009, creates a new "first-inventor-to-file" system. This new system provides patent applicants in the United States the efficiency benefits of the first-to-file systems used in the rest of the world by moving the U.S. system much closer to a first-to-file system and making the filing date that which is most relevant in determining whether an application is patentable. The new system continues, however, to provide inventors the benefit of the one-year grace period. As part of the transition to a simpler, more efficient first-inventor-to-file system, this section eliminates

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[14] See, e.g., Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Gerald J. Mossinghoff, Former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks); Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Q. Todd Dickinson, Former Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office); Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Jeffrey P. Kushan, Partner, Sidley Austin Brown & Wood, LLP); Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Mark A. Lemley, Professor, Stanford Law School); Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Robert A. Armitage, Senior Vice President and General Patent Counsel, Eli Lilly and Company); Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association).

[15] See NAS Report at 124; see also Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Richard C. Levin, Yale University).

[16] See Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Gerald J. Mossinghoff, Former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks).

[17] See Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Richard C. Levin, President, Yale University, and Mark B. Meyers, Visiting Executive Professor, Management Department at the Wharton Business School), estimating that it costs as much as $750,000 to $1 million to obtain worldwide patent protection on an important invention, and the lack of harmonization regarding filing systems adds unnecessary cost and delay.

[18] The NAS recommended changing the U.S. to a first-to-file system, while maintaining a grace period. See NAS Report at 124–27. See also Patent Reform in the 111th Congress: Legislation and Recent Court Decisions: Hearing Before the Senate Comm. on the Judiciary, 111th Cong. (2009) (statement of Steven Appleton, Chairman and Chief Executive Officer, Micron Technologies, Inc.); Patent Reform in the 111th Congress: Legislation and Recent Court Decisions: Hearing Before the Senate Comm. on the Judiciary, 111th Cong. (2009) (statement of Philip S. Johnson, Chief Patent Counsel, Johnson & Johnson); Patent Reform in the 111th Congress: Legislation and Recent Court Decisions: Hearing Before the Senate Comm. on the Judiciary, 111th Cong. (2009) (statement of Herbert C. Wamsley, Executive Director, Intellectual Property Owners Association); Patent Reform in the 111th Congress: Legislation and Recent Court Decisions: Hearing Before the Senate Comm. on the Judiciary, 111th Cong. (2009) (statement of Mark A. Lemley, Professor, Stanford Law School).

costly, complex interference proceedings, because priority will be based on the first application. A new administrative proceeding—called a "derivation" proceeding—is created to ensure that the first person to file the application is actually a true inventor. This will ensure that a person will not be able to obtain a patent for the invention that he did not actually invent. If a dispute arises as to which of two applicants is a true inventor (as opposed to who invented it first), it will be resolved through an administrative proceeding by the Patent Board. The Act also simplifies how prior art is determined, provides more certainty, and reduces the cost associated with filing and litigating patents.

The Act maintains a one-year grace period for U.S. applicants. Applicants' own publication or disclosure that occurs within one year prior to filing will not act as prior art against their applications. Similarly, disclosure by others during that time based on information obtained (directly or indirectly) from the inventor will not constitute prior art. This one-year grace period should continue to give U.S. applicants the time they need to prepare and file their applications.

This section also, and necessarily, modifies the prior art sections of the patent law. Prior art will be measured from the filing date of the application and will typically include all art that publicly exists prior to the filing date, other than disclosures by the inventor within one year of filing. Prior art also will no longer have any geographic limitations. Thus, in section 102 the "in this country" limitation as applied to "public use" and "on sale" is removed, and the phrase "available to the public" is added to clarify the broad scope of relevant prior art, as well as to emphasize the fact that it must be publicly available. Prior art based on earlier-filed United States applications is maintained.[19] Sections (and subsections) of the existing statute are renumbered, modified, or deleted consistent with converting to a first-inventor-to-file system.[20] Finally, the intent behind the CREATE Act to promote joint research activities is preserved by including a prior art exception for subject matter invented by parties to a joint research agreement.[21]

Inventor's oath or declaration

The U.S. patent system, when first adopted in 1790, contemplated that individual inventors would file their own patent applications, or would have a patent practitioner do so on their own behalf. It has become increasingly common for patent applications to be assigned to corporate entities, most commonly the employer of the inventor.[22] In fact, many employment contracts require employees to assign their inventions to their employer.[23]

Current law still reflects the antiquated notion that it is the inventor who files the application, not the company-assignee. For ex-

[19] Compare current § 102(e) with new § 102(a)(2).

[20] The Committee does not intend a substantive change by replacing the word "negatived" in section 103 of title 35 with "negated."

[21] The CREATE Act refers to the Cooperative Research and Technology Enhancement Act of 2004 (P.L. 108–453), passed by the 108th Congress. The relevant section is moved from section 103 to 102 of title 35 and shall be administered in a manner consistent with the CREATE Act.

[22] See John R. Allison & Mark A. Lemley, The Growing Complexity of the United States Patent System, 82 B.U.L. Rev. 77, 97 (2002) (study showing that approximately 85% of the patents issued between 1996–98 were assigned by inventors to corporations; an increase from 79% during the period between 1976–78).

[23] See Jerry C. Liu, Overview of Patent Ownership Considerations in Joint Technology Development, 2005 Syracuse Sci. & Tech. L. Rep. 1 (2005).

ample, every inventor must sign an oath as part of the patent application stating that the inventor believes he or she is the true inventor of the invention claimed in the application.[24] By the time an application is eventually filed, however, the applicant filing as an assignee may have difficulty locating and obtaining every inventor's signature for the statutorily required oath. Although the USPTO has adopted certain regulations to allow filing of an application when the inventor's signature is unobtainable,[25] many have advocated that the statute be modernized to facilitate the filing of applications by assignees.[26]

The Act updates the patent system by facilitating the process by which an assignee may file and prosecute patent applications. It provides similar flexibility for a person to whom the inventor is obligated to assign, but has not assigned, rights to the invention (the "obligated assignee").

Section 115 of title 35 is amended to allow a substitute statement to be submitted in lieu of an inventor's oath where either the inventor (i) is unable to do so, or (ii) is both unwilling to do so and under an obligation to assign the invention. If an error is discovered, the statement may be later corrected. A savings clause is included to prevent an invalidity or unenforceability challenge to the patent based on failure to comply with these requirements, provided any error has been remedied. Willful false statements may be punishable, however, under Federal criminal laws.[27]

Section 118 of title 35 is also amended to make it easier for an assignee to file a patent application. The amendment now allows obligated assignees—entities to which the inventor is obligated to assign the application—to file applications, as well. It also allows a person who has a sufficient proprietary interest in the invention to file an application to preserve the person's rights and those of the inventor.

Right of the inventor to obtain damages

Compensatory damages

Patent holders are granted the right to exclude others from making, using, selling and importing their patented inventions.[28] When another party, without the inventor's permission, commits one of these acts, or actively induces such act, that party infringes the patent.[29] The remedies for infringement include an injunction [30] and damages. The measure for damages for infringement can be either (i) profits lost by the patent holder because of the infringe-

[24] 35 U.S.C. § 115.

[25] See 37 C.F.R. § 1.47, which permits an applicant to petition the Director of the USPTO to have the application accepted without every inventor's signature in limited circumstances, e.g., where the inventor cannot be found or refuses to participate in the application.

[26] See Perspectives on Patents: Harmonization and Other Matters: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of David Beier, Senior Vice President of Global Government Affairs, Amgen).

[27] See 18 U.S.C. § 1001.

[28] 35 U.S.C. § 271(a) provides: "Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States, or imports into the United States any patented invention during the term of the patent therefore, infringes the patent."

[29] See 35 U.S.C. § 271.

[30] The Supreme Court recently addressed the proper standard to be applied in determining whether an injunction should issue when patent infringement is found. eBay, Inc. v. MercExchange, L.L.C., 126 S. Ct. 1837 (2006).

ment ("lost profits"), or (ii) "not less than a reasonable royalty." [31] An increasing number of cases require the calculation of an appropriate reasonable royalty.[32] Damages are intended to compensate the patent holder for the infringement of patent rights. Absent willful infringement, damages are not meant to be punitive or excessive in nature, but are meant to compensate adequately the inventor.[33]

The Supreme Court reminded us just last year that " 'the primary purpose of our patent laws is not the creation of private fortunes for the owners of patents but is to promote the progress of science and useful arts.' " [34] The Committee has heard concerns that damage awards, particularly those stemming from cases in which the plaintiffs do not practice their inventions, are too often excessive and untethered from the harm that compensatory damages are intended to measure.[35] The threat of excessive awards has a direct effect on licensing demands. This concern was also highlighted recently by the Supreme Court, with Justice Kennedy specifically admonishing: "In cases now arising trial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases. An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining license fees." [36] The Committee recognizes, at the same time, there are important societal and economic benefits that flow from the ingenuity of small inventors, whether at universities, operating independently, or within existing markets. In many instances, the only avenue to bring their inventions to market and to the public is through licensing agreements and leveraging resources, often with pre-existing structures of larger corporations.[37]

The current damage statute is vague and provides little guidance to judges or juries determining the proper damage award, particularly when the award is based on the reasonable royalty standard.[38] Juries are presented with all or several of the 15 "Georgia-

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[31] See Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1554 (Fed. Cir. 1995) (en banc).

[32] Although damage awards based on a reasonable royalty are requested more often, the total number of such awards is still fairly low in number. A recent study found that there were only 58 reported cases over a 20 year period (1984–2005) where the decision clearly reflected an award based on a reasonable royalty. See Mark A. Lemley and Carl Shapiro, Patent Holdup and Royalty Stacking, 85 TEX. L. REV. 1991, 2031 (2007).

[33] See Donald S. Chisum, Chisum on Patents § 20.01, at 20–7 (2002); Aro Mfg. Co. v. Convertible Top Co., 377 U.S. 476, 507 (1963); Riles v. Shell Exploration and Prod. Co., 298 F.3d 1302, 1312–13 (Fed. Cir. 2002).

[34] Quanta, [redacted] U.S. at [redacted]; 128 S.Ct. at 2116, quoting Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502, 511 (1917).

[35] See Patent Reform in the 111th Congress: Legislation and Recent Court Decisions: Hearing Before the Senate Comm. on the Judiciary, 111th Cong. (2009) (statement of Steven Appleton, Chairman and Chief Executive Officer, Micron Technologies, Inc.); Patent Reform in the 111th Congress: Legislation and Recent Court Decisions: Hearing Before the Senate Comm. on the Judiciary, 111th Cong. (2009) (statement of David J. Kappos, Vice President and Assistant General Counsel, IBM Corporation); Patent Reform in the 111th Congress: Legislation and Recent Court Decisions: Hearing Before the Senate Comm. on the Judiciary, 111th Cong. (2009) (statement of Mark A. Lemley, Professor, Stanford Law School).

[36] eBay, 547 U.S. at 396 (Kennedy J., concurring).

[37] Indeed, encouraging the commercialization of inventions discovered at universities is the objective of the Patent and Trademark Amendments Act of 1980 (commonly referred to as the Bayh-Dole Act), P.L. 96–517.

[38] 35 U.S.C. § 284 provides in full:

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. Increased

Pacific" factors [39] and provided with little or inadequate guidance to divine an appropriate award.[40]

Given that the issue of damages is typically just one of many issues in complex patent trials, and given that the jury may have to examine as many as 15 different factors to determine a reasonable royalty, commentators have correctly questioned whether juries are being properly advised on the evidence and factors to consider when determining damages.[41]

The Committee adopted an amendment that takes a modest approach to reforming the calculation of damages. The legislation maintains the current provision that damage awards should be adequate to compensate for the infringement but in no case less than a reasonable royalty. The amendment intentionally does not address whether the current interpretation by courts of the damages statute for compensating patent owners in reasonable royalty calculations has been proper. As such, the Committee has not altered existing substantive law on patent damages and the Committee expects that the courts will develop the law of remedies in patent cases consistent with the text of the statute.

The amendment responds to concerns the Committee has heard regarding inconsistency in the quality and sufficiency of the direction given by judges to juries to guide them in awarding reasonable royalty damages in patent litigation. At the same time, the amendment preserves the flexibility necessary for courts to account for the vast differences in patent disputes that arise from varying business models and distinctions between industries impacted.

The amendment inserts a more robust, procedural, gate keeping role for the court pursuant to which district court judges will assess, based on the facts and evidence proffered by the parties, the legal basis for the specific damages theories and jury instructions sought by the parties. The gate keeping provisions are intended to ensure consistency, uniformity, and fairness in the way that courts administer patent damages law, without encroaching on the parties' Seventh Amendment rights to have patent damages determined by the jury, and without substantively altering the law of patent damages. Patent trials should not be unnecessarily burdened and complicated by theories and methodologies that are based on legally insufficient evidentiary support. The amendments

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damages under this paragraph shall not apply to provisional rights under section 154(d) of this title.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

[39] See Georgia-Pacific Corp. v. U.S. Plywood Corp., 318 F. Supp. 1116 (S.D.N.Y. 1970).

[40] A recent study has shown that, since 1980, there has been a steady shift from bench trials to jury trials in patent cases, and that juries typically award more than five times the damages awarded in bench trials. See PRICEWATERHOUSECOOPERS, 2007 PATENT AND TRADEMARK DAMAGES STUDY (2007) at 14.

[41] Given the significant reliance by litigants and courts on the 15 Georgia-Pacific factors, several points are worth noting. First, it is difficult for the Committee (let alone a lay juror) to recite all 15 of the factors without reading them in print. Second, although there are 15 factors, they tend to fall into only three categories: (i) the royalty rates people have been willing to pay for this or other similar inventions in the industry; (ii) the significance of the patented invention to the product and to market demand; and (iii) expert testimony as to the value of the patent. See Patent Holdup, 85 TEX. L. REV. at 2018–19. Third, the district court in Georgia-Pacific explained that the 15 factors were meant to be non-exclusive, and were set out because they were relevant to the facts of that case. Fourth, the damage award in Georgia-Pacific was decided by a judge as part of a bench trial in a lengthy opinion, not by a jury. And finally, despite the valiant (and what appeared to be thorough) analysis by the district court judge, his royalty determination using these factors was reduced on appeal by approximately 30% (i.e., from $50 to $36.65 per thousand square feet of wood). See Georgia-Pacific Corp. v. U.S. Plywood Corp, 446 F.2d at 298–300.

made by this section should ensure that both parties' damages theories, and the bases thereof, are disclosed sufficiently in advance of trial, unless otherwise ordered by the court, to allow them to be challenged by pre-trial motion as lacking a legally sufficient evidentiary basis.

This section will ensure both that the challenged bases presented to the finder of fact are legally cognizable, and that they are supported by sufficient evidence that a reasonable jury could find for the party on that issue. In fulfilling its gatekeeper responsibilities, the court shall prevent consideration of an improper or unsupportable theory, methodology or opinion submissions which would be unduly burdensome to the judicial process and cause confusion among juries.

Specifically, the amendment first makes clear that the court may receive expert testimony as an aid to determining damages. Second, the amendment requires the court to identify the methodologies and factors that are relevant to the determination of damages. Third, the amendment requires the parties to state, in writing and with particularity, the methodologies and factors the parties propose for jury instructions in determining damages and the relevant underlying legal and factual contentions. Fourth, prior to the introduction of evidence concerning damages, the court is required to consider whether one or more of a party's damages contentions lacks a legally sufficient evidentiary basis and identify on the record those methodologies and factors for which there is a legally sufficient evidentiary basis. Fifth, the court shall identify for the record those factors and methodologies that are deemed relevant and possessing legally sufficient evidentiary basis for a damages calculation. The court or jury shall only consider those methodologies and factors so identified as legally sufficient, and the court shall only permit the introduction of evidence relating to the determination of damages that is relevant to those factors.

Although this section will reinforce the district court's gate keeping role with respect to admissibility of evidence and jury instructions as they relate to the determination of patent damages, it is not the Committee's intent to elevate the court's role from gatekeeper to fact finder. Further, this section does not require a preliminary hearing or "mini-trial" on damages outside of the presence of the jury. Rather, the Committee intends this provision to provide better guidance to the court and jury so that damage awards are based on sufficient evidence and appropriate factors and will preserve a more detailed record for appeal.

Willfulness

The Act also addresses the issue of willfulness, adopting the standard of In re Seagate, which requires that a party may not be found to willfully infringe unless that party has acted with respect to the infringement of a patent in a manner that was objectively reckless. These provisions of S. 515 identify certain conduct that can be deemed objectively reckless, as well as certain mitigating conduct that will preclude a finding of willfulness.

Current law allows for up to the trebling of damages when it is determined the infringement was "willful." [42] The statute, however, provides no guidance regarding what activities constitute willful infringement.[43] The Committee has heard that this lack of clarity has resulted in excessive pleading,[44] and inappropriate findings of willfulness which, in turn, have inflated litigation and transaction costs as well as damage awards.

Lacking statutory guidance, courts have established the principle that an infringement will not be found willful unless the infringer was put on notice that it was infringing. Unfortunately, courts have set that notice threshold quite low. The patent holder may simply send a conclusory letter suggesting the alleged infringer may be infringing one or more of its patents, without providing any specifics alleging which activities allegedly infringe which patents.[45] Companies can receive several such letters a week, potentially making them liable for treble damages based on willfulness if they are later found to have infringed a patent that was mentioned in the conclusory letter.[46]

Courts have held that companies can also put themselves on sufficient notice by becoming aware of the patent by a means other than notice from the patentee.[47] As a result, some companies instruct their employees not to conduct patent searches out of fear their actions may later be used against them in a patentee's attempt to prove willful infringement.[48]

Notice may be easy to provide in the willfulness context, but defense against such an allegation is difficult. The question whether a patent is valid or infringed can often be a close question with colorable arguments on both sides. This is especially true given the Federal Circuit precedent that claim construction is a question of law, which it reviews de novo.[49] Despite this uncertainty, a good

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[42] See In re Seagate Tech., LLC, 497 F.3d 1360, 1368 (Fed. Cir. 2007); Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp., 383 F.3d 1337, 1342 (Fed. Cir. 2004) (en banc).

[43] In re Seagate, 497 F.3d at 1368 ("[T]he current statute, similar to its predecessors, is devoid of any standard for awarding [enhanced damages].").

[44] See Kimberly A. Moore, Empirical Statistics on Willful Patent Infringement, 14 FED. CIR. B.J. 227, 232 (2004) (reporting that willful infringement is plead in over 90% of all patent cases).

[45] See Patent Reform: The Future of American Innovation: Hearing on S. 1145 Before the Senate Comm. on the Judiciary, 110th Cong. 251–252 (2007) (statement of Mary E. Doyle, Senior Vice President and General Counsel, Palm, Inc.); Patent Reform: The Future of American Innovation: Hearing on S. 1145 Before the Senate Comm. on the Judiciary, 110th Cong. 293 (2007) (statement of John A. Squires, Esq., Chief Intellectual Property Counsel, Goldman, Sachs & Co); Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Joel Poppen, Deputy General Counsel, Micron Technologies, Inc.).

[46] See Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Joel Poppen, Deputy General Counsel, Micron Technologies, Inc.).

[47] See Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of David Simon, Chief Patent Counsel, Intel Corporation).

[48] See Patent Reform: The Future of American Innovation: Hearing on S. 1145 Before the Senate Comm. on the Judiciary, 110th Cong. 262 (2007) (statement of Mary E. Doyle, Senior Vice President and General Counsel, Palm, Inc.); Patent Reform: The Future of American Innovation: Hearing on S. 1145 Before the Senate Comm. on the Judiciary, 110th Cong. 294 (2007) (statement of John A. Squires, Esq., Chief Intellectual Property Counsel, Goldman, Sachs & Co); Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of David Simon, Chief Patent Counsel, Intel Corporation). If the doctrine of willful infringement as currently applied discourages companies from searching relevant patents, this is clearly an unintended, and harmful, consequence of this doctrine. The patent system should encourage the discovery and sharing of information, not discourage it as the current system may be doing.

[49] Various commentators have discussed the unpredictability and high reversal rate of the Federal Circuit when it comes to deciding patent issues, and in particular those involving claim

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faith belief by a party that a patent is invalid or that it is not infringing, based on advice of counsel, may still not be sufficient to defend against a charge of willful infringement.[50] In addition, simply pleading willfulness [51] can gain the patent holder significant litigation advantages, including breaching the attorney-client privilege, necessitating different trial counsel, and resulting in costly additional discovery.[52] Excessive royalty awards, combined with the possibility that they will be trebled due to willfulness, can lead to unreasonable posturing during licensing and settlement negotiations that is not reflective of the compensation owed the patentee due to the alleged infringement.[53]

The Federal Circuit recently addressed the problem created by the lack of statutory guidance as to when enhanced damages are authorized, which has manifested itself in the case law. In In re Seagate, the Federal Circuit abandoned its case law that had imposed an affirmative duty of due care, emphasizing also that there is no affirmative obligation to obtain opinion of counsel.[54] The court also instituted an objectively reckless standard for finding willful infringement.[55] The Committee views this decision as a positive development, but one that still leaves companies with no clear statutory guidance, and which may, therefore, continue the unacceptable practice of companies instructing employees not to conduct patent searches for fear of subjecting such companies to treble damages.[56]

The Act improves the doctrine of willful infringement in both procedural and substantive respects. These changes should greatly reduce unwarranted allegations of willfulness, as well as unnecessary costly discovery.

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construction. See, e.g., Paul M. Schoenhard, Reversing the Reversal Rate: Using Real Property Principles to Guide Federal Circuit Patent Jurisprudence, 17 FORDHAM INTEL. PROP. MEDIA & ENT. L.J. 299, 301–304 (2007); Paul M. Janicke, On the Causes of Unpredictability of Federal Circuit Decisions in Patent Cases, 3 NW. J. OF TECH. & INTELL. PROP. 93 at 93–94 (2004); R. Polk Wagner & Lee Petherbridge, Is the Federal Circuit Succeeding? An Empirical Assessment of Judicial Performance, 152 U. PA. L. REV. 1105 (2004). Without endorsing these studies, at a minimum they illustrate that there can be genuine and colorable disagreements regarding the scope and validity of a patent not just between the parties, but between judges as well.

[50] See Comark Communications, Inc. v. Harris Corp., 156 F.3d 1182, 1191 (Fed. Cir. 1998).

[51] A recent empirical study showed that willfulness was alleged in over 92% of patent cases. See Empirical Statistics on Willful Patent Infringement, 15 Fed. Cir. B. J. 227 (2004); see also Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association).

[52] See Patent Reform: The Future of American Innovation: Hearing on S. 1145 Before the Senate Comm. on the Judiciary, 110th Cong. 262 (2007) (statement of Mary E. Doyle, Senior Vice President and General Counsel, Palm, Inc.); Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Chuck Fish, Vice President and Chief Patent Counsel, Time Warner, Inc.); Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Jonathan Band, Counsel, on behalf of Visa and the Financial Services Roundtable).

[53] See Patent Reform: The Future of American Innovation: Hearing on S. 1145 Before the Senate Comm. on the Judiciary, 110th Cong. 262–263 (2007) (statement of Mary E. Doyle, Senior Vice President and General Counsel, Palm, Inc.); Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Chuck Fish, Vice President and Chief Patent Counsel, Time Warner, Inc.); Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Joel Poppen, Deputy General Counsel, Micron Technologies, Inc.).

[54] In re Seagate, 497 F.3d at 1371.

[55] Id.

[56] The concurrence by Judge Gajarsa, joined by Judge Newman, makes clear the need for a statutory standard. Id. at 1377 (Gajarsa J., concurring) ("Because the language of the statute unambiguously omits any [willfulness] requirement, and because there is no principled reason for continuing to engraft a willfulness requirement onto section 284, I believe we should adhere to the plain meaning of the statute and leave the discretion to enhance damages in the capable hands of the district courts.") (internal citations omitted).

Unlike past practice where willfulness could be pleaded at the outset, willfulness will now be decided only after finding that the patent was valid and infringed. The Committee recognizes the importance of preserving the attorney-client privilege and its importance to the pursuit of justice by enabling open communication between an attorney and client. The consequence of not permitting pleading of willfulness until a liability finding is that the infringer will not be forced to disclose or identify on a privilege log its opinions of counsel relating to the patent at issue unless the infringer waives privilege for some other reason.

Pursuant to new paragraph (c)(2) of section 284, willfulness must also be proven by clear and convincing evidence. Moreover, conclusory allegations no longer suffice for notice of infringement. Under subparagraph (c)(2)(A), the patent holder must allege acts of infringement sufficient to give the alleged infringer an objectively reasonable apprehension of suit, and the patent holder must also plead with particularity which products or processes allegedly infringe which claims of the patent, as well as the basis for such a belief. Subparagraph (c)(2)(B) permits a finding of willfulness if the infringer intentionally copied the patented invention with knowledge it was patented. Subparagraph (c)(2)(C) permits such a finding if the infringer continued to engage in infringing conduct after a court found the party to be infringing the patent.

Paragraph (c)(3) provides a meaningful good faith defense to willfulness. An infringer can establish a good faith defense through reasonable reliance on the advice of counsel; evidence that the infringer sought to modify its conduct to avoid infringement once it had discovered the patent; or other evidence a court may find sufficient. The decision of the infringer not to present evidence of advice of counsel is not relevant to a determination of willful infringement.

The good faith defenses to willful infringement were amended in Committee to make clear that no inference should be drawn that they create an affirmative duty or reverse in any way the Federal Circuit's decision to abandon the affirmative duty of due care and emphasis that there is no affirmative obligation to obtain opinion of counsel.[57]

Prior user rights

Under current law, "prior user rights" may offer a defense to patent infringement in certain limited circumstances, including when the patent in question is a "business method patent" [58] and its inventor uses the invention, but never files a patent application for it.[59] If the same invention is later patented by another party, the prior user may not be liable for infringement to the new patent holder, although all others may be.

The bill amends paragraph (b)(6) of section 273 to clarify that "affiliates" of the user may also assert the defense to include those who caused or controlled the acts that were performed that give rise to the defense. Additionally, the Act instructs the Director of the USPTO to conduct, and provide to Congress, a study with rec-

[57] Id. at 1371.

[58] 35 U.S.C. § 273(a)(3) states: "The term 'method' means a method of doing or conducting business."

[59] See 35 U.S.C. § 273.

ommendations on prior user rights (both in the United States and abroad) within two years of enactment of the Act, in order to determine whether further congressional attention is warranted.

Virtual marking

In general, for patented "articles," a patent holder must give an alleged infringer notice of the claimed infringement, and the infringer must continue to infringe, before the patent holder may succeed in a suit for damages.[60] Actual notice requires the affirmative communication of infringement to the defendant, which may include the filing of a lawsuit. Constructive notice is possible by "marking" any patented article that the patent holder (or its licensee) makes, uses, sells or imports.[61] Failure to appropriately mark an article can preclude the recovery of damages until notice is effective.

The Committee adopted an amendment that will permit patent holders to "virtually mark" a product by providing the address of a publicly available website that associates the patented article with the number of the patent. The burden will remain on the patent holder to demonstrate that the marking was effective. This amendment will save costs for producers of products that include technology on which a patent issues after the product is on the market, and will facilitate effective marking on smaller products.

Post-grant procedures and other quality enhancements

The Act amends ex parte and inter partes reexamination and establishes a new post-grant review procedure. Under current law, there are two ways to challenge the validity and enforceability of a patent that has issued. The patent may be challenged in district court litigation or in a reexamination at the USPTO.

Nearly 30 years ago, Congress created the administrative "reexamination" process, through which the USPTO could review the validity of already-issued patents on the request of either the patent holder or a third party,[62] in the expectation that it would serve as an effective and efficient alternative to often costly and protracted district court litigation.[63] Reexamination requires the USPTO to review the patent in light of a substantial new question of patentability not presented during the original examination.[64] The initial reexamination statute had several limitations that later proved to make it a less viable alternative to litigation for evaluating patent validity than Congress intended. First, a reexamination request could only be based on prior art, and could not be based on prior public use or prior sales. Moreover, the requestor could not raise any challenge based on § 101 (utility, eligibility), § 112 (indefinite-

[60] See 35 U.S.C. § 287.

[61] See id.

[62] See 35 U.S.C. §§ 301–307. A patent holder will typically request reexamination to bolster the patent in view of new prior art. A third party may request reexamination to challenge, and ultimately invalidate, the patent.

[63] "Reexamination will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation * * *. The reexamination of issued patents could be conducted with a fraction of the time and cost of formal legal proceedings and would help restore confidence in the effectiveness of our patent system * * *. It is anticipated that these measures provide a useful and necessary alternative for challengers and for patent owners to test the validity of United States patents in an efficient and relatively inexpensive manner." See H.R. Rep. No. 96–1307(I) at 3 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6462–63.

[64] See 35 U.S.C. § 303.

ness, enablement, written description, best mode) or inequitable conduct. A third party alleging a patent is invalid, therefore, had fewer challenges it could raise in the proceeding and, therefore, may instead opt to risk infringement and litigate the validity of the patent in court. Second, in the original reexamination system, the third party challenger had no role once the proceeding was initiated while the patent holder had significant input throughout the entire process. Third, a challenger that lost at the USPTO under reexamination had no right to appeal an examiner's, or the Patent Board's, decision either administratively or in court. Restrictions such as these made reexamination a much less favored avenue to challenge questionable patents than litigation. Reexamination proceedings are also often costly, taking several years to complete,[65] and are first conducted by examiners and, if the patent is rejected, then by Patent Board judges. Thus, many patents must go through two rounds of administrative review (one by the examiner, and a second by the Patent Board) adding to the length of the proceeding.[66]

Congress has responded several times to criticisms of the reexamination system by making amendments to the process.[67] In 1999, Congress created a second reexamination procedure—called inter partes reexamination—that gave third party challengers greater input throughout the proceeding by permitting them to respond to every pleading submitted by the patent holder.[68] At the same time, Congress imposed severe estoppel provisions that preclude a later court challenge based on issues not raised during an inter partes reexamination proceeding.[69] Congress also eventually gave third party challengers the right to appeal adverse decisions.[70]

As part of the 1999 improvements to reexamination, Congress directed the USPTO to submit a report to Congress evaluating the inter partes reexamination process and making any recommendations for changes.[71] Initially, the USPTO projected that in the first year after the creation of inter partes reexamination, it would receive 400 such requests and it projected that by 2004 it would receive nearly 600.[72] Zero inter partes reexamination requests were

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[65] See Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Jon W. Dudas, Undersecretary of Commerce for Intellectual Property, Director of the U.S. Patent and Trademark Office), explaining that "a large number of reexamination proceedings have been pending before the USPTO for more than four years", and questioning whether this amount of time is consistent with the statutory requirement that "[a]ll reexamination proceedings * * * will be conducted with special dispatch within the Office." See also 35 U.S.C. § 305.

[66] For several years, the standard practice at the USPTO was to assign the reexamination to the patent examiner who had originally examined that patent. In addition, the same third party requester could file multiple, serial, reexaminations, based on the same "substantial new question of patentability," so long as the initial reexamination was not completed. More recently, the USPTO ended some of these procedures, and now reexaminations are handled by a Central Reexamination Unit (CRU), and subsequent serial reexamination, based on the same "substantial new question of patentability," are no longer permitted. See, e.g., Manual of Patent Examining Procedure (MPEP) §§ 2236 and 2240 (August 2006).

[67] See e.g., 21st Century Dep't of Justice Appropriations Authorization Act, Pub. L. No. 107–273, §§ 13105–06, 13202, 116 Stat. 1758, 1761 (2002) (effective Nov. 2, 2002); American Inventors Protection Act, Pub. L. 106–113, 113 Stat. 1536, 1501A et seq. (1999) (creating inter partes reexamination) (hereafter referred to as the "AIPA").

[68] See 35 U.S.C. §§ 311–318.

[69] See 35 U.S.C. § 317(b).

[70] See 35 U.S.C. § 315(b).

[71] AIPA, § 4606.

[72] See United States Patent and Trademark Office Report to Congress on Inter Partes Reexamination (2004) (hereinafter referred to as "Report on Inter Partes Reexamination"), at 4.

actually filed in 2000 and 27 such requests were filed by 2004.[73] Over the five-year period studied by the USPTO, it issued 900,000 patents and received only 53 requests for inter partes reexamination.[74]

The 2004 Report to Congress, therefore, made a number of important recommendations in response to inequities the USPTO identified in the current inter partes reexamination process. The USPTO Report identified the "could have been raised" part of the estoppel bar as the primary deterrent to using the procedure.[75] The USPTO also recommended that third-party requesters have an independent right to comment on each Office action generated by the USPTO and that they have more than 30 days in which to comment.[76] In addition, as part of the 21st Century Strategic Plan, the USPTO recommended a new, first-window opposition proceeding in which patents that should not have issued can be challenged.[77]

The Act a post-grant review opposition proceeding, and improves upon the current inter partes reexamination process, in a manner consistent with the USPTO's recommendations, to provide a more efficient mechanism to challenge patents that should not have issued and are, therefore, not promoting the purpose of the patent laws.

The Act expands the category of documents that may be cited in a reexamination proceeding to include written statements of the patent owner that have been filed in a proceeding before a Federal court or the USPTO regarding the scope of claims. This addition will counteract the ability of patent owners to offer differing interpretations of prior art in different proceedings. These written statements, which include documents, pleadings or evidence from proceedings that address the patent owner's statements, shall not be considered for any purpose other than to determine the proper meaning of the claims that are the subject of the request in a proceeding. Specifically, the Committee does not intend these statements to be a basis for the institution of a reexamination proceeding. Reexaminations will continue to be available only on the basis of "patents or printed publications." [78]

The Act also amends the ex parte reexamination procedure to allow the Director to institute a reexamination on the Director's own initiative if a substantial new question of patentability is raised by patents or publications.

The Act amends and improves the current inter partes reexamination process in a number of respects:[79] First, under the revised

[73] Id. at 5.
[74] Id.
[75] Id. at 9.
[76] Id.
[77] See United States Patent and Trademark Office, The 21st Century Strategic Plan (2003).
[78] The scope of "patent and printed publication" prior art in the amended section 301 is intended to be coextensive with these terms in current section 102 of the title 35. Further, amendments made by Section 2 of the Act, which expand certain other forms of prior art, are not intended to expand the particular "patent or printed publication" prior art, which will continue to be the sole basis for initiating reexamination proceedings.
[79] The minority draws heavily on the possibility that inter partes reexamination can be used as a tool for abuse by infringers to harass patent owners. The Committee is concerned about the potential for abuse and, therefore, specifically directed the USPTO, in promulgating rules for the new first-window, to prevent such misuse. The minority views notes the puffery of a law firm that calls itself Patent Assassins as an "excellent demonstration" of the alleged abuse. Were misuse of inter partes reexamination a successful strategy for infringers, the minority's concerns would be well taken. But the Committee is cognizant that the USPTO issued 182,556 patents in 2008 and received only 168 requests for inter partes reexamination. Micron presented testimony before the Committee that just nine companies received more than 1,200 licensing re-

procedures, reexamination will be heard by an administrative patent judge (APJ) under procedures established by the Director, rather than by a patent examiner. By eliminating the requirement that inter partes reexamination be conducted according to the procedures established for initial examination under sections 132 and 133 of the Patent Act, the USPTO will have authority to reshape the procedures for inter partes reexamination in ways that address inefficiencies with the current proceeding. Second, the third-party requester will have 60 days to file written comments in response to any action on the merits by the USPTO and responses by the patent owner. Third, the APJ will conduct an oral hearing upon request by either party, unless the APJ finds cause lacking for such a hearing. An oral hearing is equivalent to an oral argument in the presence of, and with participation by, the parties, as at a motion hearing or appeal in civil litigation. It is not an opportunity to present evidence or witnesses. Fourth, the estoppel bar is retained but narrowed. A third-party requester is still estopped from reasserting patent invalidity in court on any ground actually raised in an inter partes reexamination, but the "or could have raised" bar is struck. With respect to serial requests for inter partes reexamination by the same third party requester or its privies, a final decision in an inter partes reexamination will continue to have claim-preclusive effect against subsequent requests. Fifth, an inter partes reexamination will no longer be able to be brought after a district court decision has been entered. Finally, the inter partes reexamination process will be available for all patents, not just those issued after November 29, 1999.

The Act also creates a new post-grant opposition procedure that can be utilized during the first 12 months after a patent issues, or later if both parties consent. Unlike reexamination proceedings, which have only a limited basis on which to consider whether a patent should have issued, the post-grant review proceeding permits a challenge on any ground related to invalidity under section 282. The intent of the post-grant review process is to enable early challenges to patents, while still protecting the rights of inventors and patent owners against new patent challenges unbounded in time and scope. The Committee believes that this new early stage process for challenging patent validity and its clear procedures for submission of art will make the patent system more efficient and improve the quality of patents and the patent system. This new, but time-limited post-grant review procedure will provide a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court.

In utilizing the post-grant review process, the petitioner, real party(ies) in interest, and their privies are precluded from improperly mounting multiple challenges of a patent or initiating a challenge after an unfavorable final decision in a civil action based on grounds the petitioner raised or could have raised. Further, a final decision in a post-grant review process will prevent the petitioner, a real party in interest and their privies from challenging any pat-

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quests in 2008. If the Patent Assassins have a successful model for harassing patent owners, it clearly is not one that alleged infringers have adopted. In the nearly five years since the Committee began hearings on proposed changes to the patent laws, no demonstrable evidence of systematic abuse of the inter partes reexamination process has been presented.

ent claim on a ground that was raised in the post-grant review process. The post-grant review procedure is not intended, however, to inhibit patent owners from pursuing the various avenues of enforcement of their rights under a patent, and the amendment makes clear that the filing or institution of a post-grant review proceeding does not limit a patent owner from commencing such actions.

The Committee recognizes the importance of quiet title to patent owners to ensure continued investment resources. While this amendment is intended to remove current disincentives to current administrative processes, the changes made by it are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation. Further, such activity would divert resources from the research and development of inventions. As such, the Committee intends for the USPTO to address potential abuses and current inefficiencies under its expanded procedural authority.

Definitions; Patent Trial and Appeal Board

The Act renames the Patent Board the "Patent Trial and Appeal Board" and sets forth its duties, which are expanded to include jurisdiction over the new post-grant review and derivation proceedings. This section strikes references to proceedings eliminated by the Act, including interference proceedings.

Preissuance submissions by third parties

After an application is published, members of the public—most likely, a competitor or someone else familiar with the patented invention's field—may realize they have information relevant to a pending application. The relevant information may include prior art that would prohibit the pending application from issuing as a patent. Current USPTO rules permit the submission of such prior art by third parties only if it is in the form of a patent or publication,[80] but the submitter is precluded from explaining why the prior art was submitted or what its relevancy to the application might be.[81] Such restrictions decrease the value of the information to the examiner and may, as a result, deter such submissions.[82]

The Act improves the process by which third parties submit relevant information to the UPSTO by permitting those third parties to make statements concerning the relevance of the patents, patent applications, and other printed publications they bring to the USPTO's attention.

Venue and jurisdiction

Venue

The Act amends the venue statute for patent cases. Venue statutes generally place restrictions on where a plaintiff may sue a de-

[80] See 35 C.F.R. § 1.99.

[81] See 35 C.F.R. § 1.99(d) ("A submission under this section shall not include any explanation of the patents or publications, or any other information.").

[82] See Perspectives on Patents: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of David Simon, Chief Patent Counsel, Intel Corporation).

fendant. A specific venue provision exists for patent cases.[83] Federal Circuit decisions have virtually eliminated any meaningful distinction between the patent venue provision and general venue.[84] In VE Holding, the Federal Circuit held that despite the specific patent venue statute, the general venue statute applied to corporate defendants in patent infringement cases.[85] As a result, the Federal Circuit held that venue for a corporate defendant in a patent infringement case existed wherever personal jurisdiction existed. Four years later, in Beverly Hills Fan Co., the Federal Circuit held that personal jurisdiction for a patent defendant essentially exists wherever an infringing product is made, used or sold.[86] The effect of these decisions is that venue for a patent infringement defendant is proper wherever an alleged infringing product can be found. In addition, the Federal Circuit applied a different set of precedent in patent cases that were brought pursuant to the Declaratory Judgment Act.[87] Since most products are sold nationally, a patent holder can often bring a patent infringement action in any one of the 94 judicial districts in the United States.

The Act as introduced contained significant restrictions on the venue available to plaintiffs in patent cases which were designed to prevent plaintiffs from manufacturing venue. The venue restrictions in the Act as introduced were identical to those adopted during Committee consideration of S. 1145 in the 110th Congress. In the time since the Committee reported S. 1145, the Federal Circuit and the Fifth Circuit have shown an increased willingness to issue writs of mandamus to transfer venue when another venue is clearly more convenient.[88] As approved by the Committee, the Act strikes the previous modification to the patent venue statute and adopts the standard articulated by the Federal Circuit in In re TS Tech USA Corp., for transfers, applying the standard to patent cases generally. The amendment to 28 U.S.C. § 1400(b) provides that patent cases shall be transferred to judicial districts that are "clearly more convenient" for the parties and witnesses.

Interlocutory appeals of claim construction orders

In many patent infringement cases, the proper meaning of a patent claim (referred to as "claim construction") is a vital, threshold determination. A finding of patent infringement will often turn on the proper interpretation of the patent claims, which may also determine the patent's validity.[89] A decade ago, the Supreme Court held in Markman v. Westview Instruments, Inc.,[90] that district court judges, not juries, should determine the proper meaning of a patent claim. Shortly thereafter, the Federal Circuit in Cybor Corp. v. FAS Technologies, Inc.,[91] held that the standard of review of claim construction decisions by the district court was de novo, giving no deference to the district court judges that made those deter-

[83] 28 U.S.C. § 1400.
[84] See, e.g., VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574 (Fed. Cir. 1990).
[85] See id.
[86] See Beverly Hills Fan Co. v. Royal Sovereign Corp., 21 F.3d 1558, 1566 (Fed. Cir. 1994).
[87] See VE Holding, 917 F.2d at 1583.
[88] See In re TS Tech USA Corp., 551 F.3d 1315 (Fed. Cir. 2008); In re Volkswagen, Inc., 545 F.3d 304 (5th Cir. 2008).
[89] See, e.g., Amgen Inc. v. Hoechst Marion Roussel, Inc., 457 F.3d 1293 (Fed. Cir. 2006) (reversing the district court's claim construction and remanding for a second time for the district court to determine whether the newly construed claim was anticipated by the prior art).
[90] 517 U.S. 370 (1996).
[91] 138 F.3d 1448 (Fed. Cir. 1998) (en banc).

minations. Determining the proper meaning of the claims is vital to the outcome of most patent cases, and should occur early in the litigation to avoid unnecessary costs.[92]

Following these decisions, many district courts began holding separate claim construction hearings, which became known as "Markman" hearings. District courts often then issue Markman claim construction decisions.[93] When a claims construction order and ensuing summary judgment motion lead to the entry of final judgment, an aggrieved party may immediately appeal to the Federal Circuit. Such appeals, which now account for approximately half of the Federal Circuit's docket of patent appeals, typically lead to the early final disposition of the action, to the adoption of a revised claims construction or to other rulings that govern the case on remand. In those cases where the district court's claims construction order does not lead to final judgment, there is little opportunity for appellate review. A party may appeal under 28 U.S.C. § 1292(b), but that provision requires the district judge to determine that the "order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation." Acceptance of such an appeal is within the discretion of the appellate court, and, to date, the Federal Circuit has refused to take most such requests. As a result, full trials often had to be held before an appeal could be taken of the claim construction issue.[94]

Numerous studies have shown that the Federal Circuit's reversal rate of district court claim construction decisions is unusually high.[95] District court decisions may place several claim terms in dispute, and reversal by the Federal Circuit as to the meaning of just one claim term may require that the case be remanded to the district court for further proceedings.[96] The Committee heard that

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[92] See Patent Reform: The Future of American Innovation: Hearing on S. 1145 Before the Senate Comm. on the Judiciary, 110th Cong. (2007) (statement of John A. Squires, Esq., Chief Intellectual Property Counsel, Goldman, Sachs & Co.); Perspectives on Patents: Post-Grant Review Procedures and Other Litigation Reforms: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. 34 (2006) (statement of Andrew Cadel, Managing Director and Chief Intellectual Property Counsel, JP Morgan Chase); Patent Law Reform: Injunctions and Damages: Hearing Before the Subcomm. on Intellectual Prop. of the Senate Comm. on the Judiciary, 109th Cong. (2005) (statement of Jonathan Band, Counsel, on behalf of Visa and the Financial Services Roundtable); see also Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1475–77 (Fed. Cir. 1998) (en banc) (Rader, J., dissenting).

[93] See Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1479 (Fed. Cir. 1998) (en banc) ("Although the district courts have extended themselves, and so-called 'Markman hearings' are common, this has not been accompanied by interlocutory review of the trial judge's claim interpretation. The Federal Circuit has thus far declined all such certified questions.").

[94] Unfortunately, there are also examples where the Federal Circuit has had to hear multiple district court claim construction related appeals, and has remanded the case back to the district court several times based on new claim construction theories. See Amgen Inc. v. Hoechst Marion Roussel, Inc., 457 F.3d 1293 (Fed. Cir. 2006) (a 10 year litigation that has to date already had two appeals and the case is remanded back for a likely third district court decision, and possible third appeal).

[95] See, e.g., Paul M. Schoenhard, Reversing the Reversal Rate: Using Real Property Principles to Guide Federal Circuit Patent Jurisdiction, 17 FORDHAM INTEL. PROP. MEDIA & ENT. L.J. 299, 303 (2007) (citing several studies of Federal Circuit reversal rates of claim construction decisions, ranging from 33% to over 50%). Although the exact number is subject to debate, it is safe to say the number is relatively high, especially as compared to traditional reversal rates. This is not entirely surprising since current Federal Circuit precedent encourages the parties to contest the meaning of several different claim terms both before the district court and the Federal Circuit. For example, it is not uncommon for a party to appeal (or cross appeal) the meaning of several terms, and if the Federal Circuit disagrees as to just one, it is likely the case will need to be remanded to the district court.

[96] See Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1474 n. 2 (Fed. Cir. 1998) (Rader, J. dissenting, "In the words of United States District Court Judge Roderick McKelvie: [I]n spite of a trial judge's ruling on the meaning of disputed words in a claim, should a three-judge panel

the manner in which claim construction determinations are currently reviewed increases litigation costs, decreases certainty and predictability, and can prolong settlement discussions.[97]

Even when a claims construction order does not lead to immediate entry of final judgment, the Committee recognizes that there are instances in which an immediate appeal of a district court's final claims construction order is warranted. Accordingly, the Act amends subsection (c) of section 1292 of title 28, giving the district court discretion to certify Markman claim construction final orders for interlocutory review if the district court finds that there is a sufficient evidentiary record and an immediate appeal from the order may materially advance the termination of the litigation or will likely control the outcome of the case, and such finding is not clearly erroneous.

Venue for the USPTO

In 1999, as part of the American Inventors Protection Act (AIPA), Congress established that as a general matter the venue of the USPTO is the district where it resides.[98] The USPTO currently resides in the Eastern District of Virginia. However, Congress inadvertently failed to make this change uniform throughout the entire patent statute, so that certain sections of the patent statute (and one section of the trademark statute) continue to allow challenge of USPTO decisions to be brought in the District of Columbia, where the USPTO has not resided for decades.

Since the USPTO no longer resides in the District of Columbia, the sections that authorized venue for litigation against the USPTO are changed to reflect the venue where the USPTO currently resides.

Patent and trademark office regulatory authority

Although the USPTO has had the ability to set certain fees by regulation, most fees (e.g., filing fee, issuance fee, maintenance fees) are set by Congress.[99] History has shown that such a scheme does not allow the USPTO to respond promptly to challenges facing it. The USPTO has argued for years that it must have fee setting authority to administer properly the agency and its growing workload.

The Act allows the USPTO to set or adjust all of its fees, including those related to patents and trademarks, so long as they do no more than reasonably compensate the USPTO for the services performed. Prior to setting such fees, the Director must give notice to, and receive input from, the Patent or Trademark Public Advisory Committee (PPAC or TPAC). The Director may also reduce fees for any given fiscal year, but only after consultation with the PPAC or TPAC. The Act details the procedures for how the Director shall consult with the PPAC and TPAC, including providing for public hearings and the dissemination to the public of any recommenda-

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of the Federal Circuit disagree, the entire case could be remanded for retrial on [a] different [claim interpretation]," citing Elf Atochem North Am., Inc. v. Libbey-Owens-Ford Co., 894 F.Supp. 844, 857, 37 USPQ2d 1065, 1075 (D.Del. 1995)).

[97] See Patent Reform: The Future of American Innovation: Hearing on S. 1145 Before the Senate Comm. on the Judiciary, 110th Cong. 289–291 (2007) (statement of John A. Squires, Esq., Chief Intellectual Property Counsel, Goldman, Sachs & Co.).

[98] See 35 U.S.C. § 1(b).

[99] See, e.g., 35 U.S.C. § 41.

tions made by either Committee. Fees shall be prescribed by rule. Any proposed fee change shall be published in the Federal Register and include the specific rationale and purpose for the proposed change. The Director must seek public comments for no less than 45 days. The Director must also notify Congress of any final decision regarding proposed fees. Congress shall have no more than 45 days to consider and comment on any proposed fee, but no proposed fee shall be effective prior to the expiration of this 45–day period.

Residency of Federal Circuit Judges

Federal appellate judges in all of the regional circuits must reside within the geographic region of the relevant circuit's jurisdiction. A judge on the First Circuit, for example, must reside in Massachusetts, Rhode Island, Maine, New Hampshire or Puerto Rico. Judges on the District of Columbia Circuit have no residency restrictions because it is not a regional circuit. By contrast, since its creation in 1982, the Federal Circuit has had an arbitrary restriction that all active judges reside within 50 miles of the District of Columbia.

The Committee believes that having an entire nation of talent to draw upon in selecting these judges could only be a benefit. The duty stations of the Federal Circuit judges will, of course, remain in the District of Columbia. Judges in regional circuits often travel considerable distances for court sessions within the circuit, far from their homes and chambers, and there is no practical reason why Federal Circuit judges could not do so, as well.

The Act eliminates the residency restriction for Federal Circuit judges by repealing the relevant portion of subsection 44(c) of title 28. The Act directs the Director of the Administrative Office of the United States Courts to provide appropriate facilities and administrative support in the District of the District of Columbia to judges of the Federal Circuit living within 50 miles of the District of Columbia and, to judges who live more than 50 miles from the District of Columbia, such services in the district in which that judge resides or, if such facilities are not available, in the closest district to the residence of the judge in which facilities are available.

Micro-entity defined

As part of the ongoing effort to nurture U.S. innovation, Congress has long recognized that certain groups, including independent inventors, small business concerns, and non-profit organizations (collectively referred to as "small business entities") should not bear the same financial burden for filing patent applications as larger corporate interests. The current statute provides for a significant reduction in certain fees for small business entities.[100] The Committee was made aware, however, that there is likely a benefit to describing and then accommodating a group of inventors who are even smaller, in order to be sure that the USPTO can tailor its requirements, and its assistance, to the people with very little capital, and just a few inventions, as they are starting out.

This section of the Act defines an even smaller group—the micro-entity—that comprises only true, independent inventors. The Com-

[100] See 35 U.S.C. § 41(h).

mittee expects that the USPTO will make accommodations under its authority in recognition of the special status of micro-entities.

Funding agreements

The Patent and Trademark Amendments Act of 1980 (commonly referred to as the Bayh-Dole Act) [101] granted universities, other non-profit organizations, and small businesses the right to title to inventions developed using Federal funds. In 1984, Congress amended the law to ensure that universities and small businesses operating at Government facilities (GOCOs) reaped the benefits of Bayh-Dole by giving them the right to elect title to a subject invention.[102] The 1984 Act permitted GOCOs to retain the balance of any royalties or income earned from licensing inventions, up to 5 percent of the annual budget of the facility, for further research, development and related activities. If the balance exceeds 5 percent of the facility's annual budget, however, 75 percent of the excess is recouped by the Government, with the remaining 25 percent of the excess also retained by the GOCO for further research, development, and related activities.[103]

The Committee has considered testimony that the requirement to repay the government 75 percent of the excess on royalty payments may be causing a disincentive for universities and small business operating under the GOCO provisions to commercialize products.[104] Based on these concerns, the Committee adopted an amendment that maintains the essence of the agreement GOCOs made with the taxpayers when they received funding that they would reimburse the taxpayer if they are sufficiently successful in commercializing a product invented with taxpayer dollars, but which reduces the burden on universities and small businesses, thereby encouraging commercialization. Under the amendment, instead of reimbursing 75% of the excess to the Government, the GOCO will retain 85 percent for further research, development, and related activities and reimburse the Government 15 percent.

Patent and trademark office travel expenses test program

The Act seeks to improve patent quality by empowering the USPTO to hire and retain examiners nationwide through an expanded telework program.

The USPTO currently has a successful telework program in which both patent and trademark examiners participate. Regulations continue to require each examiner to appear at his or her duty station at least one day per week, which limits the efficiency and the effectiveness of the program.[105] The cost associated with travelling to the duty station in Virginia once a week is a major impediment to potential examiners living beyond the Washington, D.C. metro area. Additionally, numerous work hours are lost as the examiner is in transit. Furthermore, the weekly appearance in Alexandria generally serves no training or work quality enhancement

[101] P.L. 96–517.
[102] P.L. 98–620, § 501.
[103] 35 U.S.C. § 202(c)(7).
[104] See The Role of Federally-Funded University Research in the Patent System: Hearing Before the Senate Comm. on the Judiciary, 110th Cong. (2008) (statement of Dr. Elizabeth Hoffman, Executive Vice President and Provost, Iowa State University).
[105] Patent Public Advisory Committee 2008 Annual Report, p. 16. http://www.uspto.gov/web/offices/com/advisory/reports/ppac 2008annualrpt.pdf.

purpose. The Patent Public Advisory Committee ("PPAC") noted that the result of the regulation is that the "number of such examiners who participate in the [telework] program is vanishingly small."[106]

The PPAC recommended that both the USPTO management and labor unions "place this issue among their highest priorities and look for a concrete resolution" to working around the Federal regulations by agreement or seeking legislation to fix it.[107]

The Act simply gives the USPTO the authority to implement a telework pilot program that would address its specific needs. It protects labor concerns by creating an oversight committee to review telework implementation and gives labor an equal membership in that committee. Examiners may still be required to return to Alexandria, but the Act requires the oversight committee to first explore "reasonable technological or other alternatives to employee travel . . . including teleconferencing, videoconferencing or internet-based technologies." These alternatives provide the right balance to encourage hiring beyond the Washington, D.C. metro area but still protect management needs for certain travel.

Section 13 provides the USPTO an important opportunity to recruit and retain top talent that might be looking for challenging employment around the country. These newly hired telework employees will contribute significantly to the reduction of the staggering patent backlog and pendency challenges facing the USPTO and American industry.

Best mode requirement

The Act amends § 282(b) to eliminate as a defense to patent infringement the patentee's failure to comply with the best mode requirement of § 112. An applicant for a patent must disclose: (1) a written description of the invention; (2) a written description of the manner of making and using the invention, sufficient to enable one skilled in the art to make and use it (known as the "enablement requirement"); and (3) the best mode contemplated by the inventor of carrying out the invention.[108] The disclosures required of an applicant are part of the important tradeoff that underlies the patent laws: the grant of a limited-term monopoly in exchange for disclosure of the invention.

Under current law, the defense of patent invalidity is available for failure to comply with any requirement of § 112 (specification) or § 251 (reissued patents). Further, a defendant in patent litigation may also allege an intentional nondisclosure of the best mode, with intent to deceive the Office, as a basis for an unenforceability defense. Many have argued in recent years that the best mode requirement, which is unique to American patent law, is counterproductive.[109] They argue that challenges to patents based on best mode are inherently subjective and not relevant by the time the patent is in litigation, because the best mode contemplated at the

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[106] Id.

[107] Id. at 18. PPAC clearly laid down the gauntlet: "No more studies; no more tentative steps. It is time to get the job done." Id.

[108] 35 U.S.C. § 112. Section 112 also requires an applicant to disclose a written description of the invention and a written description of the manner of making and using the invention, sufficient to enable one skilled in the art to make and use it.

[109] National Academy of Sciences, the Biotechnology Industry Organization, the American Intellectual Property Law Association, the Intellectual Property Owners Association, and Pharmaceutical Research and Manufacturers of America.

time of the invention may not be the best mode for practicing the invention years later.

In response to concerns, the Committee adopted an amendment that eliminates best mode as a basis for both invalidity and unenforceability defenses under § 282; other defenses are unaffected. However, the Committee views public disclosure as an important part of the patent system, and the best mode disclosure requirement will remain in § 112, where it serves as an affirmative requirement for patentability and as a basis for rejection of a claim if it appears that the best mode contemplated by the inventor has not been disclosed.

Pilot program in certain district courts

The Act establishes a pilot program in certain United States district courts to encourage the enhancement of expertise in patent cases among district judges. The intent of this section is to authorize the creation of a patent specialists' pilot program at the U.S. district court level, to improve the adjudication of patent disputes. "One of the most significant problems facing the United States patent system is the spiraling cost and complexity associated with enforcement of patent rights."[110] The problems associated with providing efficient, stable, and predictable adjudication of patent disputes present issues of longstanding concern. The complex and dynamic nature of patent law along with the increasing sophistication of technologies, which tend to underlie determinations of prior art and whether material is patentable, present unique challenges to those responsible for adjudicating these disputes. These are particularly acute at the trial court level where judges tend to be generalists and lay jurors tend to be unfamiliar with patent law concepts and untrained in the sophisticated technologies that frequently lie at the heart of litigation.

Over the years, judges, patent professionals and patent owners have identified a number of judicial and litigation reforms without endorsing one proposal to the exclusion of others. Still, the vast majority of structural reforms have something in common: they share a widespread perception that patent litigation has become too expensive, too time-consuming, and too uncertain.

District courts are trial courts that possess general civil and criminal jurisdiction. Title 28 of the United States Code grants U.S. district courts exclusive, original jurisdiction of "any civil action arising under any Act of Congress relating to patents."

Within the United States, the adjudication of patent interpretation and enforcement disputes typically commences with the filing of a case in an appropriate U.S. district court. Patent cases constitute an insubstantial number of the total cases filed. The overwhelming majority of such cases are settled or decided by motion with the rest, approximately 100 cases, going to trial in a given year. Due to their novelty and complexity, the cases that are tried tend to be resource-intensive and account for a disproportionate share of district court judges' time and effort. As with other civil and criminal cases, the standard practice is randomly to assign patent cases to the various judges within a district.

[110] The Advisory Commission on Patent Law Reform, Report to the Secretary of Commerce 75 (1992).

Given this background—the relative infrequency of patent litigation, early settlement of most suits, and random assignment of cases—district court judges generally receive little exposure to actual patent claim trials.

The right of exclusivity, which is critical to protecting the economic benefit and inherent value of a patent, can be protected only "if patent owners have effective and inexpensive access to an efficient judicial system" [111] to enforce their patent. There is substantial evidence that the adjudication of patent cases is neither effective nor inexpensive.[112]

The Committee adopted an amendment that is intended to increase judicial expertise in the area of patent law by authorizing the creation of a pilot program in those districts with judges interested in handling patent cases. It authorizes the Director of the Administrative Office of the Courts to designate not fewer than six U.S. district courts in at least three different circuits to participate in a 10-year pilot program that would permit district judges to request assignment of patent-related cases, permit the Chief Judge to designate requesting judges to hear such cases, allow 'undesignated' judges to decline such cases, and require random assignment of such cases to either all of the judges of the district court or only the designated judges in certain instances. The Director of the Administrative Office of the United States Courts will select pilot districts from those courts that: (1) were one of the 15 with the largest volume of patent-related filings in the previous year *or* have adopted local rules for handling patent cases; *and* of those districts that qualify (2) (i) three have at least 10 federally appointed judges sitting on the bench, and *at least* three (3) of whom have expressed interest in receiving specialized training for patent cases; and (ii) three have fewer than 10 federally-appointed judges sitting on the bench, and *at least* two of whom have expressed interest in receiving specialized training for patent cases.

This section authorizes not less than $5,000,000 for each of the 10 fiscal years to be expended for the educational and professional development of designated judges and to compensate law clerks who possess expertise in technical matters that arise in patent cases. The section also requires the Director of the Administrative Office of the Courts to compile information on the pilot program and to provide periodic reports to the Judiciary Committees of the House of Representatives and the Senate.

Technical amendments

The Act contains technical amendments to improve the organization of the patent statute.

Effective date; Rule of construction

The Act provides that, unless otherwise provided, it takes effect 12 months after the date of enactment and applies to any patent issued on or after that effective date. It also provides that the enactment of section 102(b)(3) of title 35, under section (2)(b) of the Act is done with the same intent to promote joint research activi-

[111] THE ADVISORY COMM'N ON PATENT LAW REFORM, REPORT TO THE SECRETARY OF COMMERCE 75 (1992).

[112] James F. Holderman, Judicial Patent Specialization: A View from the Trial Bench, 2002 J. L. Tech. & Pol'y 425 (2002).

ties that was expressed in the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108–453) and shall be administered in the manner consistent with such.

II. History of the Bill and Committee Consideration

A. Introduction of the Bill

On August 3, 2006, in the 109th Congress, Senator Hatch introduced the Patent Reform Act of 2006 (S. 3818) with Senator Leahy. It was referred to the Committee on the Judiciary.

On April 18, 2007, in the 110th Congress, Senator Leahy, along with Senator Hatch, introduced the Patent Reform Act of 2007 (S. 1145). Senator Schumer, Senator Whitehouse, and Senator Cornyn were original cosponsors of the bill. Senator Craig, Senator Crapo, Senator Bennett, Senator Salazar, and Senator Smith joined as cosponsors. The bill was referred to the Committee on the Judiciary, which considered the bill and reported it with an amendment on January 24, 2008. See S. Rep. 110–259.

On March 3, 2009, Senator Leahy and Senator Hatch introduced the Patent Reform Act of 2009. Senator Crapo, Senator Gillibrand, Senator Risch, Senator Schumer, and Senator Whitehouse were original cosponsors. Senator Cornyn, Senator Feinstein, Senator Klobuchar, and Senator Specter joined as cosponsors. This bill was referred to the Committee on the Judiciary.

B. Hearings

The Senate Committee on the Judiciary held eight hearings on patent reform from 2005 through 2009.

On April 25, 2005, the Senate Committee on the Judiciary Subcommittee on Intellectual Property held a hearing on "Perspectives on Patents." This first hearing was attended by Chairman Hatch, Ranking Member Leahy, Senator Cornyn, and Senator Feinstein. Testifying on Panel I was the Honorable Jon W. Dudas, Under Secretary of Commerce for Intellectual Property, and Director, U.S. Patent and Trademark Office. Testifying on Panel II were Richard C. Levin, President, Yale University, and Co-Chair, Committee on Intellectual Property Rights in the Knowledge-Based Economy, Board on Science, Technology, and Economic Policy, National Research Council; and Mark B. Myers, Visiting Executive Professor, Management Department, Wharton Business School, University of Pennsylvania, and Co-Chair, Committee on Intellectual Property Rights in the Knowledge-Based Economy, Board on Science, Technology, and Economic Policy, National Research Council. Testifying on Panel III were William Parker, Chief Executive Office and Director of Research, Diffraction, Ltd.; Joel L. Poppen, Deputy General Counsel, Micron Technology, Inc.; David Simon, Chief Patent Counsel, Intel Corporation; Dean Kamen, President, DEKA Research and Development Corp.; Robert A. Armitage, Senior Vice President and General Counsel, Eli Lilly and Company; and Michael K. Kirk, Executive Director, American Intellectual Property Law Association (AIPLA). The following materials were submitted for the record: Comments of the National Association of Patent Practitioners on the Proposed Patent Act of 2005, submitted by Tony Venturino, President, on May 6, 2005; prepared statement of Jon W. Dudas; prepared statement of Richard C. Levin; prepared

statement of Mark B. Myers; prepared statement of William Parker; prepared statement of Joel L. Poppen; prepared statement of David Simon; prepared statement of Dean Kamen; prepared statement of Robert A. Armitage; and prepared statement of Michael K. Kirk.

On June 14, 2005, the Senate Committee on the Judiciary Subcommittee on Intellectual Property held a hearing on "Patent Law Reform: Injunctions and Damages." This second hearing was attended by Chairman Hatch, Ranking Member Leahy, and Senator Kennedy. The following witnesses testified: Carl Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation (WARF); Jonathan Band, Counsel on behalf of Visa and the Financial Services Roundtable; Mark A. Lemley, Professor of Law, Stanford Law School; Jeffrey P. Kushan, Sidley Austin Brown and Wood, LLP; Chuck Fish, Vice President and Chief Patent Counsel, Time Warner, Inc.; and J. Jeffrey Hawley, President, Intellectual Property Owners Association, and Vice President and Director, Patent Legal Staff, Eastman Kodak Company. The following materials were submitted for the record: prepared statement of Carl Gulbrandsen; the prepared statement of Jonathan Band; the prepared statement of Mark A. Lemley; the prepared statement of Jeffrey P. Kushan; the prepared statement of Chuck Fish; and the prepared statement of J. Jeffrey Hawley.

On July 26, 2005, the Senate Committee on the Judiciary Subcommittee on Intellectual Property held a hearing on "Perspectives on Patents: Harmonization and Other Matters." Chairman Hatch attended this hearing and Ranking Member Leahy submitted a statement for the record. The following witnesses testified: The Honorable Gerald J. Mossinghoff, former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks, and Senior Counsel, Oblon, Spivak, McClelland, Maier & Neustadt; The Honorable Q. Todd Dickinson, former Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office, and Vice President and Chief Intellectual Property Counsel, General Electric Company; Marshall C. Phelps, Corporate Vice President and Deputy General Counsel for Intellectual Property, Microsoft Corporation; Christine Siwik, Partner, Rakoczy Molino Mazzochi Siwik, LLP; Charles E. Phelps, Provost, University of Rochester, on behalf of the Association of American Universities, American Council on Education, Association of American Medical Colleges and Council on Governmental Relations; and David Beier, Senior Vice President for Global Government Affairs, Amgen. The following materials were submitted for the record: prepared statement of David Beier; article, Bureau of National Affairs, Inc., Patent, Trademark & Copyright Journal, C. Boyden Gray, former White House Counsel and Partner, Wilmer Cutler Pickering Hale and Dorr; prepared statement of Q. Todd Dickinson; prepared statement of Gerald J. Mossinghoff; prepared statement of Charles E. Phelps; prepared statement of Marshall C. Phelps; prepared statement of Christine J. Siwik; and prepared statement of Teva North America, Steven J. Lee, Partner, Kenyon & Kenyon, Thomas L. Creel, Partner, Goodwin Procter LLP, Outside Patent Counsel.

On May 23, 2006, the Senate Committee on the Judiciary Subcommittee on Intellectual Property held a hearing on "Perspectives on Patents: Post-Grant Review Procedures and Other Litigation

Reforms." Chairman Hatch and Ranking Member Leahy attended, and the following witnesses testified: Mark Chandler, Senior Vice President and General Counsel, Cisco Systems, Inc.; Philip S. Johnson, Chief Patent Counsel, Johnson & Johnson; Nathan P. Myhrvold, Chief Executive Officer, Intellectual Ventures; John R. Thomas, Professor of Law, Georgetown University Law Center; and Andrew Cadel, Managing Director, Associate General Counsel, and Chief Intellectual Property Counsel, JP Morgan Chase. The following materials were submitted for the record: prepared statement of Andrew Cadel; prepared statement of Mark Chandler; prepared statement of Jack Haken, Vice President, Intellectual Property & Standards, U.S. Phillips Corporation; prepared statement of Philip S. Johnson; prepared statement of Nathan P. Myhrvold; and prepared statement of John R. Thomas.

On May 1, 2007, the Senate Committee on the Judiciary held a hearing on "Process Patents." This hearing was attended by Chairman Leahy, Ranking Member Specter, Senator Cardin, Senator Whitehouse, Senator Graham, and Senator Coburn. Senator Feinstein submitted a statement for the record. The following witnesses testified: Wayne Herrington, Assistant General Counsel, United States International Trade Commission; John R. Thomas, Professor of Law, Georgetown University Law Center; Mike Kirk, Executive Director, American Intellectual Property Law Association; and Christopher A. Cotropia, Professor of Law, Richmond School of Law. The following materials were submitted for the record: prepared statement of Wayne Herrington; prepared statement of John R. Thomas; prepared statement of Mike Kirk; prepared statement of Christopher A. Cotropia; letter from the United Steel Workers to Senator Leahy and Senator Specter dated February 6, 2007; letter from the AFL–CIO to Senator Leahy and Senator Specter dated February 21, 2007; and an article by Mickey Kantor and Theodore B. Olsen titled "Pet Food and Pool Cues," published May 13, 2006.

On June 6, 2007, the Senate Committee on the Judiciary held a hearing on "Patent Reform: The Future of American Innovation." Chairman Leahy, Ranking Member Specter, Senator Cardin, Senator Whitehouse, Senator Hatch, and Senator Coburn attended the hearing. Testifying on Panel I was the Honorable Jon W. Dudas, Undersecretary of Commerce for Intellectual Property, Director of the U.S. Patent and Trademark Office. Testifying on Panel II were Bruce G. Bernstein, Chief Intellectual Property and Licensing Officer, InterDigital Communications Corporation; Mary Doyle, Senior Vice President, General Counsel and Secretary, Palm, Inc.; John A. Squires, Chief Intellectual Property Counsel, Goldman, Sachs & Co.; and Kathryn L. Biberstein, Senior Vice President, General Counsel and Secretary, and Chief Compliance Officer, Alkermes, Inc. The following materials were submitted for the record: letter from the Department of Commerce to Senator Leahy and Senator Specter dated May 18, 2007; letter from BIO to Senator Leahy and Senator Specter dated May 29, 2007; letter from Chief Judge Paul R. Michel of the Federal Circuit to Congressman Conyers dated May 21, 2007; letter from the National Association of Manufacturers to Congressman Conyers and Congressman Smith dated May 18, 2007; letter from Chief Judge Paul R. Michel of the Federal Circuit to Senator Leahy and Senator Specter dated May 3, 2007; the prepared statement of Jon W. Dudas; the prepared statement of

Bruce G. Bernstein; prepared statement of Mary Doyle; prepared statement of John A. Squires; and prepared statement of Kathryn L. Biberstein.

On October 24, 2007, the Senate Committee on the Judiciary held a hearing on "The Role of Federally-Funded University Research in the Patent System." Chairman Leahy, Senator Cardin, and Senator Grassley attended the hearing. The following witnesses testified: Arti K. Rai, Professor of Law, Duke University Law School; Elizabeth Hoffman, Executive Vice President and Provost, Iowa State University; Robert Weissman, Director, Essential Action; and Dr. Charles Louis, Vice Chancellor for Research, University of California, Riverside. The following materials were submitted for the record: statement of Senator Tom Harkin of Iowa; statement of Representative Tom Latham of Iowa; statement of the Biotechnology Industry Association; statement of the Wisconsin Alumni Research Foundation; prepared statement of Elizabeth Hoffman; prepared statement of Charles Louis; prepared statement of Arti K. Rai; and the prepared statement of Robert Weissman.

On March 10, 2009, the Senate Committee on the Judiciary held a hearing on "Patent Reform in the 111th Congress: Legislation and Recent Court Decisions." Chairman Leahy attended the hearing, along with Ranking Member Specter, Senator Feinstein, Senator Cardin, Senator Whitehouse, Senator Klobuchar, Senator Kaufman, Senator Hatch, Senator Kyl, and Senator Coburn. The following witnesses testified: Steven R. Appelton, Chairman and CEO of Micron Technologies, Inc.; Philip S. Johnson, Chief Intellectual Property Counsel, Johnson & Johnson; David J. Kappos, Vice President and Assistant General Counsel, International Business Machines Corporation; Taraneh Maghame, Vice President, Tessera, Incorporated; Herbert C. Wamsley, Executive Director, Intellectual Property Owners Association; and Mark A. Lemley, the William H. Neukom Professor of Law, Stanford Law School. The following materials were submitted for the record: statement of Robert T. Nelsen, Managing Director, ARCH Venture Partners; letter from America's Specialty Medicines Companies to Chairman Leahy and Ranking Member Specter dated March 16, 2009; statement of the Biotechnology Industry Association; paper by Mark Blaxill and Ralph Eckardt entitled: "The Innovation Imperative: Building America's Invisible Edge for the 21st Century"; statement of the Computing Technology Industry Association; statement of FotoTime, Inc.; statement of the Generic Pharmaceutical Association; letter from David J. Kappos of IBM to Members of the Judiciary Committee dated March 19, 2009; letter from AARP, Consumer Federation of America, Consumers Union, and U.S. Public Interest Research Group to Chairman Leahy dated March 9, 2009; letter from Aetna Inc., Apotex Corporation, Generic Pharmaceutical Association, Hospira Inc., Mylan Pharmaceuticals, National Association of Chain Drug Stores, Teva Pharmaceuticals, and Watson Pharmaceuticals to Senator Leahy and Senator Hatch, dated March 9, 2009; statement of the National Association of Realtors; and the statement of the Wisconsin Alumni Research Foundation.

C. LEGISLATIVE HISTORY

The bill was on the agenda for the March 19, 2009 business meeting but was held over. On March 26, 2009, the Senate Judici-

ary Committee began its consideration of S. 515. Senator Leahy offered an amendment cosponsored by Senator Hatch, Senator Whitehouse, Senator Specter, Senator Feinstein and Senator Kyl, which was adopted by unanimous consent. This amendment included a number of technical changes and clarifications. In particular, the amendment tightened the language on prior art and derivation proceedings. It also clarified that first-window, post-grant review proceedings must be instituted by the Director. Finally, the amendment added a provision permitting patent holders to "virtually mark" products by providing the address of a publicly available website that associates the patented article with the number of the patent.

On March 31, 2009, the Senate Judiciary Committee resumed consideration of S. 515, as previously amended on March 26, 2009. Senators Leahy and Hatch offered an amendment, which was adopted by unanimous consent. The first section of this amendment modified the Bayh-Dole Act to allow nonprofit organizations at government-owned-contractor-operated facilities to retain a larger portion of licensing royalties in excess of 5% of the facility's operating budget for scientific research, development, and education. The second section of this amendment authorized a pilot program at the USPTO for teleworking.

The Committee concluded consideration of S. 515 on April 2, 2009. Three amendments were considered during this meeting:

Senator Leahy offered an amendment cosponsored by Senator Specter, Senator Feinstein, Senator Whitehouse, Senator Kaufman, and Senator Cornyn, which was adopted by unanimous consent. This amendment struck the calculation of reasonable royalty language in section 4 and replaced it with enhanced procedural protections, which will provide more of a role for the judge to identify the appropriate legal standards and relevant factual contentions. The amendment also tightened the provision in section 4 related to willfulness, to ensure it does not detract from the Federal Circuit's recent Seagate decision. In section 5, the amendment struck the language of the original bill that would have permitted a challenger to raise evidence that the claimed invention was in public use or on sale in the United States as a basis for invalidating the patent in an inter partes reexamination. In section 7, the amendment provided the district court with specific standards that it must certify have been met before certifying a claims construction order for interlocutory appeal. The amendment also struck the changes that would have been made by section 8 to the patent venue statute, 28 U.S.C. 1400, in favor of a new subsection (c), which requires the court to transfer venue in a patent case if the transferee venue is clearly more convenient than the venue in which the action is pending. The amendment added a new section 14 to the bill, which retains the requirement that a specification contain the best mode of carrying out an invention as part of the patent application, but does not allow best mode to be used as a basis for invalidating an issued patent. The amendment added a new section 15 to the bill, which creates a pilot program for training district court judges in patent law, and for the hiring of law clerks devoted to working on patent cases.

Senator Kyl offered an amendment that would have modified the post-grant review section. This amendment was rejected by a roll call vote.

The vote record was as follows:

Tally: 4 Yeas, 13 Nays, 2 Not Voting

Yeas (4): Coburn (R–OK), Feingold (D–WI), Grassley (R–IA), Kyl (R–AZ).

Nays (13): Cardin (D–MD), Cornyn (R–TX), Durbin (D–IL), Feinstein (D–CA), Hatch (R–UT), Kaufman (D–DE), Klobuchar (D–MN), Kohl (D–WI), Leahy (D–VT), Schumer (D–NY), Specter (R–PA), Whitehouse (D–RI), Wyden (D–OR).

Senator Coburn offered an amendment that would have removed the United States Patent and Trademark Office from the regular budget process. The amendment was tabled on a roll call vote.

The vote record was as follows:

Tally: 10 Yeas, 9 Nays

Yeas (10): Cardin (D–MD), Durbin, (D–IL), Feinstein (D–CA), Kaufman (D–DE), Klobuchar (D–MN), Kohl (D–WI), Leahy (D–VT), Schumer (D–NY), Whitehouse (D–RI), Wyden (D–OR).

Nays (9): Coburn (R–OK), Cornyn (R–TX), Feingold (D–WI), Graham (R–SC), Grassley (R–IA), Hatch (R–UT), Kyl (R–AZ), Sessions (R–AL), Specter (R–PA).

The Committee then voted to report the Patent Reform Act of 2009, as amended, favorably to the Senate. The Committee proceeded by roll call vote as follows:

Tally: 15 Yeas, 4 Nays

Yeas (15): Cardin (D–MD), Cornyn (R–TX), Durbin (D–IL), Feinstein (D–CA), Graham (R–SC), Grassley (R–IA), Kaufman (D–DE), Klobuchar (D–MN), Kohl (D–WI), Leahy (D–VT), Schumer (D–NY), Sessions (R–AL), Specter (R–PA), Whitehouse (D–RI), Wyden (D–OR).

Nays (4): Coburn (R–OK), Feingold (D-WI), Hatch (R-UT), Kyl (R-AZ).

III. SECTION-BY-SECTION SUMMARY OF THE BILL

Section 1. Short title; table of contents

This Act may be cited as the Patent Reform Act of 2009.

Section 2. Right of the first inventor to file

This section, inter alia, converts the United States patent system into a first-inventor-to-file system, giving priority to the earlier-filed application for a claimed invention. Interference proceedings are replaced with a derivation proceeding to determine whether the applicant of an earlier-filed application was the proper applicant for the claimed invention. This section also provides for a grace period for publicly disclosing the subject matter of the claimed invention, without losing priority.

Specifically, this section makes the following amendments:

Subsection (a)—§ 100 is amended to include definitions for additional terms.

Subsection (b)—§ 102 is amended as follows:

(a)(1) A person is entitled to a patent unless the invention was patented, described in a printed publication, or in public use, on sale or otherwise available to the public (A) more than a year be-

fore the filing date, or (B) anytime prior to the filing date if not through disclosure by the inventor or joint inventor, or by others who obtained the subject matter, directly or indirectly, from the inventor or joint inventor. A one-year grace period is provided for an inventor or joint inventor that discloses the subject matter of the claimed invention.

(2) A patent also may not be issued if the claimed invention was described in a patent or patent application by another inventor filed prior to the filing date of the claimed invention.

(b) Exceptions:

Subject matter that would otherwise qualify as prior art under (a)(1)(B) shall not be prior art if the subject matter had, before such disclosure, been publicly disclosed by the inventor, joint inventor, or others who obtained the subject matter from the inventor/joint inventor. Subject matter that would otherwise qualify as prior art under (a)(2) shall not be prior art if (A) the subject matter was obtained directly or indirectly from the inventor or joint inventor, (B) the subject matter had been previously disclosed by the inventor or a joint inventor or others who obtained the subject matter, directly or indirectly, from the inventor or a joint inventor, or (C) prior to the effective filing date, the subject matter and the claimed invention was owned by the same person or subject to an obligation of assignment to the same person.

The CREATE Act is preserved by including an exception for subject matter of a claimed invention made by parties to a joint research agreement.

The requirements for an effective filing date are set forth.

Subsection (c)—§ 103 is amended consistent with moving to a first-inventor-to-file system. Existing subsection (a) is amended slightly; subsection (b) is deleted because it is no longer needed; subsection (c), which is the CREATE Act, has been moved, and slightly changed, to § 102.

Subsection (d)—Repeals § 104 (Inventions Made Abroad).

Subsection (e)—Repeals § 157 (Statutory Invention Registration).

Subsection (f)—Amends § 120 related to filing dates to conform with the CREATE Act.

Subsection (g)—Makes various conforming amendments.

Subsections (h), (i) & (j)—Repeals interference proceeding and repeals § 291. Amends § 135(a) and provides for a "derivation proceeding," designed to determine the inventor with the right to file an application on a claimed invention. An applicant requesting a derivation proceeding must set forth the basis for finding that an earlier applicant derived the claimed invention and without authorization filed an application claiming such invention. The request must be filed within 12 months of the date of first publication of an application for a claim that is substantially the same as the claimed invention. The Patent Trial and Appeal Board (the "Board") shall determine the right to patent and issue a final decision thereon. Decisions of the Board may be appealed to the Federal Circuit, or to district court pursuant to § 146.

Subsection (k)—Amends § 131 to clarify that examination and search duties for the grant of a United States patent are sovereign functions to be performed by employees of the United States Government, to the extent consistent with obligations under international agreements.

Section 3. Inventor's oath or declaration

This section streamlines the requirement that the inventor submit an oath as part of a patent application, and makes it easier for patent owners to file applications.

Subsection (a)—Section 115 is amended to permit an applicant to submit a substitute statement in lieu of the inventor's oath or declaration in certain circumstances, including if the inventor is (i) unable to do so, or (ii) unwilling to do so and is under an obligation to assign the invention. A savings clause provides that failure to comply with the requirements of this section will not be a basis for invalidity or unenforceability of the patent if the failure is remedied by a supplemental and corrected statement. False substitute statements are subject to the same penalties as false oaths and declarations.

Subsection (b)—Section 118 is amended to allow the person to whom the inventor has assigned (or is under an obligation to assign) the invention to file a patent application. A person who otherwise shows sufficient proprietary interest in the invention may file a patent application as an agent of the inventor to preserve the rights of the parties.

Section 4. Right of the inventor to obtain damages

Subsection (a)—§ 284, the patent damage statute, is amended to provide as follows:

(a) The court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty, together with interest and costs. The court may receive expert testimony to assist it in determining damages.

(b) In determining damages, the court shall identify, and the court or jury shall only consider, the methodologies and factors that are relevant. The parties must state, in writing and with particularity, the methodologies and factors they propose for instruction to the jury by no later than the final pretrial order, unless otherwise ordered by the court.

Prior to the introduction of evidence concerning damages, the court shall consider whether one or more of a party's damages contentions lacks a legally sufficient evidentiary basis and identify on the record those methodologies and factors for which there is a legally sufficient evidentiary basis. The court or jury shall only consider those methodologies and factors so identified, and the court shall only permit the introduction of evidence relating to the determination of damages that is relevant to those factors.

(c) A court may increase damages by up to three times based on a finding of willful infringement. To prove willful infringement, a patentee must prove by clear and convincing evidence that acting with objective recklessness:

> (A) the infringer received written notice from the patentee (i) alleging acts of infringement in a manner sufficient to give the infringer an objectively reasonable apprehension of suit on such patent, and (ii) identifying with particularity each claim of the patent, each allegedly infringing product or process, and the relationship of such product or process to such claim, the infringer, after a reasonable opportunity to investigate, thereafter performed one or more acts of infringement;

(B) after receiving such notice and after a reasonable opportunity to investigate, the infringer intentionally copied the patented invention with knowledge that it was patented; or

(C) after having been found by a court to infringe a patent, the infringer engaged in conduct that was not colorably different from the conduct previously found to have infringed the patent, and which resulted in a separate finding of infringement of the same patent.

Notwithstanding facts that may otherwise establish a prima facie case of willful infringement, an infringer may not be found to have acted with objective recklessness at a time during which the infringer had an informed good faith belief that the patent was invalid or unenforceable, or would not be infringed, and: (i) there was reasonable reliance on advice of counsel; (b) the infringer sought to modify its conduct to avoid infringement once it had discovered the patent; or (c) there is sufficient other evidence a court may find sufficient to establish good faith. The decision of the infringer not to present evidence of advice of counsel is not relevant to a determination of willful infringement.

A patentee may not plead (and a court may not determine) willful infringement before the date on which a court determines that the patent in suit is not invalid, is enforceable, and has been infringed by the infringer.

Subsection (b)—Prior user rights study—Within 2 years from the date of enactment, the Director shall report to Congress his findings and recommendations regarding the operation of "prior user rights" in selected countries as compared to the United States.

Subsection (c)—Subsection (b)(6) of § 273 is amended to also allow "affiliates" of the person who performed the necessary prior user rights acts to assert the defense.

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

Subsection (e)—Subsection (a) of § 287 is amended to permit patent holders to "virtually mark" a product by providing the address of a publicly available website that associates the patented article with the number of the patent.

Section 5. Post-grant procedures and other quality enhancements

Subsection (a)—§ 301 is amended to include written statements of the patent owner filed in a proceedings before a Federal court or the USPTO as citable prior art. The section is further amended to provide rules for submitting such statements and the limitations on their use.

Subsection (b)—§ 303 is amended to clarify that the Director may determine whether to initiate reexamination on the Director's own initiative based on citations by any person other than the owner of the patent under section 302 or 311.

Subsection (c)—§ 314 is amended to provide that inter partes reexamination proceedings will be heard by administrative patent judges in accordance with procedures established by the Director. Third-party requesters are given 60 days to respond in writing to any action on the merits by the USPTO and to any response filed by the patent owner. A patent owner may make amendments to the patent and submit new claims that do not enlarge the patent's

scope. This subsection also authorizes oral hearings on request of either party.

Subsection (d)—§ 315 is amended to limit the estoppel bar to those invalidity issues that the third-party requester raised during the reexamination procedure.

Subsection (e)—§ 317 is amended to prohibit a request for inter partes reexamination by any party against whom a district court decision has been entered finding that the party has not sustained its burden of proving the invalidity of any patent claim in suit.

Subsection (f)—This subsection creates a new chapter 32 of title 35, which provides as follows:

§ 321—A person who is not the patent owner may file a petition for cancellation seeking to institute a post-grant review proceeding based on any ground that could be raised under section 282. The Director shall establish reasonable fees to be paid by the person requesting the proceeding.

§ 322—A petition under this chapter may only be filed within 12 months after the issuance or reissuance of the patent or by consent of the patent owner.

§ 323—The petition may only be considered if it is accompanied by the fee established by the Director; identifies the petitioner; sets forth the basis for cancellation and the evidence in support; and provides copies of such to the patent owner or designated representative.

§ 324—A proceeding may not be instituted if the petition identified the same petitioner and the same patent as a previous petition or if the petition is based on the best mode requirement.

§ 325—The Director shall determine what additional information must be filed with a petition and, for each petition, the Director shall determine whether the petition establishes that a substantial question of patentability exists. The director shall notify the patent owner and each petition of the Director's determination, which shall be made not later than 60 days after receiving the petition. Such decision is not reviewable.

§ 326—The Director shall prescribe regulations governing the conduct of post-grant review proceedings. Those regulations shall, among other things, require that a final determination issue not later than one year after instituting the proceeding; provide for discovery upon order of the Director; provide for publication of the petition and related documents; and prescribe sanctions for abuse of discovery or process, or any other improper use of the proceeding. The Patent Trial and Appeal Board (the "Board") shall conduct each proceeding instituted by the Director.

§ 327—The patent owner shall have a right to file a response to a cancelation petition.

§ 328—The presumption of validity set forth in section 282 does not apply in a post-grant review proceeding, but the party advancing a proposition shall have the burden of proving that proposition by a preponderance of the evidence.

§ 329—In response to a cancellation petition, the patent owner may file a motion to amend the patent by canceling or substituting any challenged claim or by amending the drawing or otherwise amend the patent other than the claims. The patent owner may file one such motion as of right, but subsequent motions will be per-

mitted only for good cause. An amendment may not enlarge the scope of the claims of the patent or introduce new matter.

§ 330—Once the Director has initiated a proceeding, the Board is required to issue a final written decision addressing the patentability of any patent claim challenged and any new claim added under section 329.

§ 331—The Director shall issue and publish a certificate canceling any claim of a patent finally determined by the Board to be unpatentable and incorporating in the patent any new claim determined to be patentable. Any new claim held to be patentable shall have the same effect as that specified in § 252 for reissued patents on prior users.

§ 332—The proceeding can be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner if such request is filed prior to the Board issuing a written decision. Any agreement made in connection with the termination of the proceeding must be in writing and must be filed with the USPTO. Upon request, such agreements may be kept separate from the file on the proceeding and made available only to Government agencies on written request or to any person on a showing of good cause.

§ 333—The Director may determine the manner in which other proceedings that are pending during a post-grant review proceeding may proceed, including providing for stay, transfer, consolidation, or termination of any such proceeding. The Director may stay the post-grant proceeding if a pending infringement action addresses the same or substantially the same questions of patentability. The commencement of a post-grant review proceeding shall not limit the right of the patent owner to commence an action for infringement and shall not be cited as evidence relating to the validity of any claim of the patent in a proceeding before a court or the International Trade Commission.

§ 334—A final decision in a civil action establishing that the party did not sustain its burden of proving the invalidity of any patent claim shall preclude such party (and privies of that party) from requesting a post-grant review proceeding based on any grounds raised or that could have been raised. Further, the Director may not maintain any post-grant review proceeding after a final decision was entered on the basis of such grounds.

§ 335—This section gives preclusive effect to a finding favorable to the patentability of any claim based on any claim the cancellation petitioner raised during the proceeding. Such petitioner may not raise any such ground to request or pursue a reexamination, derivation proceeding, or post-grant review proceeding with respect to such claim. Nor can the cancellation petitioner assert such ground as a basis for invalidity in a civil action or before the International Trade Commission in a section 337 action.

§ 336—Judicial review of a final decision of the Board in a post-grant review proceeding may be obtained from the Federal Circuit.

Subsection (g)—This subsection provides a conforming amendment for the table of chapters for part III.

Subsection (h)—This subsection repeals § 4607 of the Optional Inter Partes Reexamination Procedures Act of 1999, which describes the estoppel grounds in inter partes reexamination. Estop-

pel resulting from inter partes reexamination decisions is now governed by § 315(c), as amended by this Act.

Subsection (i)—The amendments made by this section become effective 1 year after the date of enactment of the Act. Section 301 (citation of prior art) and the reexamination procedures of § 311 through § 318, however, apply to all patents. The new, post-grant review proceeding, however, will apply only to patents issued on or after the effective date, which is 1 year after the date of enactment.

Subsection (j)—The Director is instructed to issue regulations to carry out the post-grant review proceeding within 1 year of the date of enactment of the Act.

Section 6. Definitions; patent trial and appeal board

The Board of Patent Appeals and Interferences is replaced with the new Patent Trial and Appeal Board ("Board"). The Board is charged with (i) reviewing adverse decisions of examiners on applications and reexamination proceedings, (ii) conducting derivation proceedings, and (iii) conducting the post-grant review proceedings.

Section 7. Submissions by third parties and other quality enhancements

This section amends § 122 to create a mechanism for third parties to submit timely pre-issuance information relevant to the examination of the application, including a concise statement of the relevance of the submission.

Section 8. Venue and jurisdiction

Subsection (a)—The venue provision for patent cases, section 1400 of title 28, is amended by adding at the end a new subsection (c) providing that, for the convenience of parties and witnesses, in the interest of justice, a district court shall transfer a case upon a showing that the transferee venue is clearly more convenient than the venue in which the case is pending.

Subsection (b)—Interlocutory Appeals—Subsection (c) of section 1292 of title 28, is amended to give the district court discretion to certify a final order determining construction of a patent claim for interlocutory review if the district court finds that there is a sufficient evidentiary record and an immediate appeal from the order may materially advance the termination of the litigation or will likely control the outcome of the case. A certification can be reversed if clearly erroneous.

Subsection (c)—Technical Amendments Relating to USPTO Venue—The venue for certain district court challenges of USPTO decisions is changed from the District of Columbia to the Eastern District of Virginia, the district where the USPTO resides.

Section 9. Patent and Trademark Office regulatory authority

This section gives the director rulemaking authority to set or adjust any fee under §§ 41 and 376, and section 1113 of title 15, provided that such fee amounts are set to reasonably compensate the USPTO for the services performed. The Director may also reduce such fees. The Director shall consult with the patent and trademark advisory committees as provided for in this section. Any proposal for a change in fees (including the rationale, purpose, and possible expectations or benefits that will result) shall be published

in the Federal Register and shall seek public comment for a period of not less than 45 days. The Director shall notify Congress of any final proposed fee change and Congress shall have up to 45 days to consider and comment before any proposed fee change becomes effective.

Rules of construction are provided.

Section 10. Residency of Federal Circuit judges

The District of Columbia area residency requirement for Federal Circuit judges in section 44(c) of title 28 is repealed. A new subsection (e) is added at the end, which directs the Director of the Administrative Office of the United States Courts to provide appropriate facilities and administrative support in the District of the District of Columbia to judges of the Federal Circuit living within 50 miles of the District of Columbia and, to judges who live more than 50 miles from the District of Columbia, such services in the district in which that judge resides or, if such facilities are not available, in the closest district to the residence of the judge in which facilities are available.

Section 11. Micro-entity defined

This section adds a new § 124 to define the qualifications for "micro-entity" status.

Section 12. Funding agreements

Clause (i) of § 202(c)(7)(E) is amended to permit a nonprofit organization that has a funding agreement for the operation of a Government-owned-contractor-operated facility to retain 85%, rather than 25% under current law, of licensing royalties in excess of the amount equal to 5% of the annual budget of the facility.

Section 13. Patent and Trademark Office Travel Expenses Test Program

This section amends § 5710 of title 5 to direct the USPTO to create a teleworking test program. Pursuant to the program, USPTO may pay certain travel expenses for an employee for travel to and from the USPTO under the program. The USPTO is directed to establish an oversight committee comprising an equal number of members representing management and labor. The oversight committee shall develop operating procedures. The test program contains a number reporting requirements to ensure it is designed to save costs and improve efficiency. The test program terminates 20 years after the effective date of the Travel and Transportation Reform Act of 1998, P.L. 105–264.

Section 14. Best mode requirement

This section amends § 282(b) by removing the failure to disclose the best mode under section 112 as a basis for canceling or holding either invalid or unenforceable a patent claim.

Section 15. Pilot Program in certain district courts

This section creates a pilot program in at least 6 district courts from at least 3 different circuits that will receive funding for training in patent law and to hire law clerks devoted to working on patent cases. The section authorizes a minimum of $5 million for the

program annually for a period of ten (10) years. The Director of the Administrative Office of the United States Courts will select pilot districts from those courts that: (1) were one of the fifteen with the largest volume of patent-related filings in the previous year or have adopted local rules for handling patent cases; and of those districts that qualify (2) (i) 3 have at least ten federally appointed judges sitting on the bench, and at least three of whom have expressed interest in receiving specialized training for patent cases; and (ii) 3 have fewer than ten federally appointed judges sitting on the bench, and at least two of whom have expressed interest in receiving specialized training for patent cases.

Section 16. Technical amendments

This section sets forth technical amendments consistent with this Act.

Section 17. Effective date; rule of construction

Except as otherwise provided, this Act takes effect 12 months after the date of enactment and applies to any patent issued on or after that effective date.

The enactment of § 102(b)(3), under section (2)(b) of this Act, is done with the same intent to promote joint research activities that was expressed in the CREATE Act (Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108–453; the "CREATE Act"), and shall be administered by the in the manner consistent with such.

Section 18. Severability

This section provides that if any provision of this Act is held to be invalid or unenforceable, the remainder of the Act shall not be affected by such holding.

IV. Congressional Budget Office Cost Estimate

The Committee sets forth, with respect to the bill, S. 515, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

April 30, 2009.

Hon. Patrick J. Leahy,
Chairman, Committee on the Judiciary,
U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for S. 515, the Patent Reform Act of 2009.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susan Willie.

Sincerely,

Douglas W. Elmendorf.

Enclosure.

S. 515—The Patent Reform Act of 2009

Summary: S. 515 would amend various provisions of current law that regulate how the Patent and Trademark Office (PTO) awards

patents. Among other things, the bill would alter the rule that prioritizes the award of a patent from the "first to invent" to the "first inventor to file." As a result, PTO would change certain procedures it follows in awarding patents and establish new procedures that would allow individuals to challenge the validity of patents that have been awarded.

Under current law, PTO is authorized to collect a variety of fees for the services it performs. The fee rates are set in statute, and the amounts collected are available to offset the cost of PTO's operations. The bill would permanently set higher fee rates for certain actions and authorize PTO to set or adjust fees periodically. S. 515 also would authorize PTO to establish fees to offset most of the costs associated with new procedures it must follow when presented with a challenge to the validity of a patent.

Subject to appropriation of the necessary amounts, CBO estimates that implementing S. 515 would have a net discretionary cost of $3 million in 2010, and would reduce discretionary spending by $173 million over the 2010–2014 period. CBO estimates that enacting S. 515 also would increase direct spending by about $3 million over the 2010–2019 period; the bill would have no effect on revenues.

S. 515 contains an intergovernmental and private-sector mandate, as defined in the Unfunded Mandates Reform Act (UMRA), on certain patent applicants. Based on information from PTO, CBO estimates that the costs of the mandate would fall below the annual thresholds established in UMRA ($69 million for intergovernmental mandates and $139 million for private-sector mandates, in 2009, adjusted annually for inflation).

Estimated cost to the Federal Government: The estimated budgetary impact of S. 515 is shown in the following table. The costs of this legislation primarily fall within budget functions 370 (commerce and housing credit) and 750 (administration of justice).

	By fiscal year, in millions of dollars—					
	2010	2011	2012	2013	2014	2010–2014
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Inter Partes Reexaminations:						
Estimated Authorization Level	0	11	15	21	25	72
Estimated Outlays	0	9	14	20	25	68
Post-grant Opposition Procedures:						
Estimated Authorization Level	0	3	4	9	10	26
Estimated Outlays	0	2	4	8	10	24
Administrative Costs:						
Estimated Authorization Level	5	5	0	0	0	10
Estimated Outlays	1	7	2	0	0	10
Pilot Program in District Courts:						
Estimated Authorization Level	5	5	5	5	5	25
Estimated Outlays	2	5	5	5	5	22
Offsetting Collections:						
Estimated Authorization Level	0	¥67	¥68	¥78	¥84	¥297
Estimated Outlays	0	¥67	¥68	¥78	¥84	¥297
Net Changes in Spending:						
Estimated Authorization Level	10	¥43	¥44	¥43	¥44	¥164
Estimated Outlays	3	¥44	¥43	¥45	¥44	¥173
CHANGES IN DIRECT SPENDING [1]						
Estimated Budget Authority	0	1	1	1	0	3
Estimated Outlays	0	1	1	1	0	3

[1] CBO estimates that increases in direct spending under the bill would total $3 million over the 2010–2019 period.

Basis of estimate: For this estimate, CBO assumes that the bill will be enacted near the end of fiscal year 2009, that the necessary amounts will be appropriated each year, and that spending will follow historical patterns for the agency. Further, CBO assumes that most of the bill's provisions would be effective one year after the date of enactment.

Spending subject to appropriation

S. 515 would change the basis that PTO uses to award patents. Under current law, where two or more persons independently develop identical or similar patents at approximately the same time, the patent is awarded to the first inventor established through the examination process. S. 515 would direct PTO, under the same circumstances, to award the patent to the inventor whose application has the earliest filing date. The bill also would establish a new procedure (post-grant opposition) to challenge the validity of a patent and would authorize PTO to collect fees to offset much of the costs associated with that process.

Based on information from PTO, CBO expects that the volume of requests for reconsideration of patents already granted (inter partes reexaminations) would increase as a result of changes S. 515 would make to the reexamination process. Under current law, PTO is authorized to collect fees for those reviews as well. The collection and spending of fees are subject to provisions in annual appropriations acts, and the fees are recorded on the budget as offsets to the discretionary spending of PTO. For 2009, the PTO received a gross appropriation of $2,010 million, and CBO estimates that amount will be offset by $1,937 million in fee collections. Assuming appropriation of the necessary amounts, CBO estimates that implementing S. 515 would reduce PTO's net outlays by $195 million over the 2010–2014 period. Further, CBO estimates that discretionary spending would increase by $22 million over the 2010–2014 period for a pilot program authorized within the Department of Justice, assuming appropriation of the amounts specified in the bill. In total, implementing S. 515 would reduce net discretionary spending by $173 million over the 2010–2014 period.

Inter Partes Reexaminations. Under current law, an individual may question the validity of an awarded patent through an inter partes reexamination, which allows both the challenger and the patent-holder to participate in the proceedings by submitting arguments and filing appeals.

There is no time limit on raising an inter partes challenge, however, such challenges may only be brought against patent applications filed after a certain date. S. 515 would expand the universe of awarded patents that could be challenged through this proceeding; as a result, CBO expects that the number of inter partes reexaminations would increase. Further, the bill would require the inter partes proceedings to be conducted by an administrative patent judge; under current law, these proceedings are conducted by a patent examiner.

Based on information from PTO, CBO expects that around 80 additional employees would ultimately be necessary to handle an increase in patent challenges. We estimate that implementing the changes to the inter partes reexamination procedures would cost about $9 million in 2011 to hire and train additional staff and $68

million over the 2010–2014 period. PTO is authorized to collect fees that would offset a portion of the costs of conducting those examinations.

Post-grant Opposition Procedures. S. 515 would authorize PTO to create a new procedure to review the validity of patents already awarded. This opportunity for such a post-grant review generally would be available within 12 months of the date the patent was issued, and would take place in a court-like proceeding in which both the challenger and the owner of the patent would develop and present information regarding the validity of an awarded patent. The bill would authorize PTO to collect fees to offset the cost of this new process.

Based on information from PTO, CBO expects that the volume of requests for post-grant reviews would grow each year once regulations defining the process are complete. CBO estimates that implementing this new process would cost $2 million in 2011 and $24 million over the 2010–2014 period, which would be offset by fee collections starting in 2011. The cost would be higher in the early years because we expect that the agency would incur expenses to establish the system before cases would be presented for review.

Administrative Costs. As a result of the switch to a "first to file" principle, PTO would incur additional administrative costs, including updating its information technology systems and training staff. CBO estimates that those changes would increase discretionary spending by about $10 million over the 2010–2014 period.

Pilot Program in District Courts. Section 15 would create a 10-year pilot program in certain district courts to hone judicial expertise in patent protection cases. The bill would authorize the appropriation of not less than $5 million a year for the professional development of district judges and compensation of law clerks with expertise in such cases. After 2014, the Administrative Office of the United States Courts would be required to submit two reports to the Congress detailing the progress of the pilot program. CBO estimates that implementing those activities would cost $22 million over the 2010–2014 period. After 2014, CBO estimates that the program would cost an additional $31 million.

Offsetting Collections. Certain provisions of S. 515 would permanently extend some, but not all, fee increases that have been authorized in annual appropriations actions since fiscal year 2005. Further, as noted above, the bill would authorize PTO to set and collect fees for the new post-grant opposition process. Finally, S. 515 would authorize PTO to adjust fees periodically to offset the organization's costs of providing its services.

Based on information from PTO and historical patterns of collections, CBO estimates that those new authorities would increase offsetting collections by $70 million in 2011 and $320 million over the 2010–2014 period. Of that amount, $277 million would be generated through the permanent extension of fee increases, the balance would result from fees related to the increased volume in patent challenges (both inter partes re-examinations and post-grant reviews).

Other provisions of S. 515 would expand the number of patent applications filed in foreign countries that would be reviewed in the course of PTO's examination process. Based on information from PTO, CBO expects that some of the U.S. applications that would

be approved under current law would be denied under the provisions of S. 515 because of information made available in the foreign applications. CBO estimates that fee collections would fall by $3 million in 2011 and by $23 million over the 2010–2014 period due to the loss of issuance and maintenance fees due after a patent has been awarded. CBO estimates that net offsetting collections would increase by $67 million in 2011 and by $297 million over the 2010–2014 period.

Direct spending and revenues

Section 12 would change the amount of royalties or income earned by certain contractors that is required to be remitted to the federal government. Under current law, funding agreements between the federal government and contractors operating government-owned-contractor-operated (GOCO) laboratories allow contractors to retain, up to a certain threshold, all royalty and other income earned from patents received as a result of work performed under the contract. Beyond that, 75 percent of royalties or income earned above the threshold must be returned to the U.S. Treasury. The royalties returned to the Treasury are recorded as offsetting receipts (credits against direct spending). S. 515 would reduce that amount to 15 percent.

Currently, only one entity operating a GOCO laboratory returns excess royalties and license fees to the federal government. Over the past several years, the Ames Laboratory, operated by Iowa State University, has returned to the Treasury approximately $1 million a year in license fees earned from patents awarded under its contract with the federal government. Based on information from the Department of Energy (which operates most of the GOCO laboratories), CBO assumes that the Ames Laboratory is the only facility that is expected to return income to the federal government over the next five to ten years. CBO estimates that reducing the percentage of income that is returned to the Treasury would increase direct spending (and would be recorded as a loss of offsetting receipts) by about $3 million over the 2010–2014 and 2010–2019 periods. Receipts would end after 2013 when the Ames patent generating the bulk of the royalties expires.

Intergovernmental and private-sector impact: S. 515 would impose a mandate on both intergovernmental and private-sector entities, by allowing PTO to set or adjust certain fees and by permanently extending other fee increases that are set to expire at the end of fiscal year 2009. The requirement to pay those fees is a mandate because the federal government controls the patent and trademark systems, and no reasonable alternatives to the systems exist.

Based on information from PTO, CBO estimates that the cost to comply with the mandate would amount to less than $1 million for public entities and between $70 million and $80 million for private-sector entities in each of the first five years the mandate is in effect. Therefore, the costs of the mandate would fall below the annual thresholds established in UMRA ($69 million for intergovernmental mandates and $139 million for private-sector mandates in 2009, adjusted annually for inflation).

Estimate prepared by: Federal effects: Patent and Trademark Office—Susan Willie; District Courts—Leigh Angres; Federal Health

Programs and Revenues—Julia Christensen; Impact on state, local, and tribal governments: Elizabeth Cove Delisle; Impact on the private sector: Paige Piper/Bach.

Estimate approved by: Theresa Gullo, Deputy Assistant Director for Budget Analysis.

V. Regulatory Impact Evaluation

In compliance with rule XXVI of the Standing Rules of the Senate, the Committee finds that no significant regulatory impact will result from the enactment of S. 515.

VI. Conclusion

The Patent Reform Act of 2009, S. 515, will establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs. By ensuring the patent system of the 21st century accurately reflects the constitutional mandate to "promote the progress of science and useful arts," the Patent Reform Act will help ensure that the United States maintains its competitive edge in the global economy.

VII. Additional, Supplemental, and Minority Views

ADDITIONAL VIEWS OF SENATOR GRASSLEY

Intellectual property rights are extremely important to our nation's economy, so it is important to proceed in a deliberative and responsible manner to ensure that the American patent system remains strong. Significant improvements to S. 515 were adopted in Committee which I was pleased to support. In particular, the agreement to make changes to the damages provision in the bill was critical to moving this legislation forward. I also was pleased that the Committee adopted a modified version of the Bayh Dole amendment that I circulated at the markup to incentivize smaller institutions and laboratories to continue investing in their research and development endeavors. This amendment will go a long way in increasing the ability of government-operated-contractor-owned facilities to reinvest licensing royalties for crucial scientific research, development and education.

However, I believe that more due diligence and work needs to be done. I share several of the concerns expressed in the views of Senator Kyl and others, in particular those dealing with the provisions on post grant review. There are legitimate concerns about the threshold for access to, and the open-ended nature of, the expanded inter partes reexamination process. The U.S. Patent and Trademark Office has expressed concerns that they may not be able to administer the changes proposed in the bill, and that they will be overwhelmed with filings. It would be prudent for the Judiciary Committee to work with the PTO to determine whether these provisions contained in the bill are workable and can effectively be implemented.

In addition, I circulated an amendment at the markup that would provide that certain tax planning inventions are not patentable. There are strong policy reasons to ban tax strategy patents. Tax strategy patents may lead to the marketing of aggressive tax shelters or otherwise mislead taxpayers about expected results. Tax strategy patents encumber the ability of taxpayers and their advisors to use the tax law freely, interfering with the voluntary tax compliance system. I believe it is important to pass legislation that eliminates tax strategy patents, and I look forward to working with Chairman Leahy, Chairman Baucus and others to include this tax patent ban in the bill.

CHUCK GRASSLEY.

SUPPLEMENTAL VIEWS OF SENATOR HATCH

For years I have been arguing if we are serious about enacting comprehensive patent law reform, then we must take steps to ensure that the inequitable conduct doctrine is applied in a manner consistent with its original purpose: to sanction true misconduct and to do so in a proportional and fair manner. Inequitable conduct reform is core to patent reform, as it dictates how patent applications are prosecuted years before litigation.

Currently, any perceived transgression of the patent owner is being painted as fraud. If an inequitable conduct claim wins, a valid patent is held entirely void and the infringer walks away without any liability. The inequitable conduct defense is frequently pled, rarely proven, and always drives up the cost of litigation. There is virtually no downside for the infringer to raise this type of defense, even if it lacks a true basis. For these reasons, inequitable conduct challenges are raised in nearly every patent case.

The current law has made patent applicants over-disclose information to the U.S. Patent and Trademark Office (USPTO) for fear of missing something. During the 110th Congress, former USPTO Director Jon Dudas testified before the Senate Judiciary Committee. He brought with him a box of materials to show the Committee what a patent examiner reviews when processing an Information Disclosure Statement. There were about 2,600 pages of material submitted in one box. And there were 27 other boxes that had the same amount of material for the one patent application. Such a deluge of information is not only counterproductive, but it certainly does not help produce high-quality patents.

Unfortunately, as things currently stand, anything an applicant does to help the examiner focus on the most relevant information during examination becomes the target of an inequitable conduct challenge in court. This highly corrosive result undermines the original intent of the doctrine. Moreover, it precludes an open and interactive examination process, which we would all agree would result in the granting of high-quality patents. The development of a more objective and clearer inequitable conduct standard will remove the uncertainty and confusion that defines current patent litigation. We cannot settle for mere codification of current practices.

Some have suggested that those who seek to reform the inequitable conduct defense condone fraudulent conduct before the USPTO. Nothing could be further from the truth. That line of reasoning could not be more misguided and is contrary to the type of reform I have been advocating for years. Without question, there need to be significant penalties for someone who tries to perpetrate fraud on the Office, but sanctions should be commensurate with the misconduct. Reform to the inequitable conduct defense should focus on the nature of the misconduct and not permit the unenforceability of a perfectly valid patent on a meritorious invention.

The very foundation of our patent system is to reward invention. Yet, under our current system, the inequitable conduct doctrine only stifles innovation. This is something that our nation cannot afford, especially during these challenging economic times.

In my opinion, true inequitable conduct reform has the potential to single-handedly revolutionize the manner in which patent applications are prosecuted. Arguably, reform in this area will have the most favorable impact on patent quality and will give the USPTO the ability to reduce its pendency, thereby fostering a strong and vibrant environment for all innovation and entrepreneurship. And that, after all, is one of the goals for patent reform legislation as stated in the Committee Report.

ORRIN G. HATCH.

SUPPLEMENTAL VIEWS OF SENATORS COBURN, HATCH, GRASSLEY, AND KYL

Previous and current versions of the Patent Reform Act have been stymied because of major disagreements among the varying, competing interests within the patent community. For several years, industry heavyweights from numerous sectors of the American economy have battled multiple provisions of the bill. However, the one area where Patent Reform Act combatants reach near unanimous agreement is the need for Congress to permanently end "fee diversion."

The United States Patent and Trademark Office (USPTO) is different than nearly every other federal government agency in that it is totally funded by user fees. For nearly two decades, zero taxpayer dollars have been appropriated to fund the USPTO. The user fees are generated as inventors, universities, small businesses, other companies, and investors bring their idea to the USPTO in return for a patent or trademark. Those patent and trademark applicants hope for a quick response from the USPTO, granting their idea protection and the chance to go build their American Dream. When the USPTO collects the fees from those applicants, "it does not retain and spend those fees. Instead, the fees are deposited in the Treasury and the USPTO is funded by annual Congressional appropriations." [1] Although the user fees are available and ready to be spent by the USPTO, USPTO is legally restricted from accessing those fees until Congress determines how much of those fees the USPTO can use. Unfortunately, for more than a decade Congress mismanaged and misspent the user fees USPTO collected by diverting those user fees to other general revenue purposes in Congress' yearly appropriations process. Such chronic diversion cost the USPTO more than three quarters of a *billion* dollars.[2] "This lack of connection between the monies flowing into the agency and those available for expenditure has, according to the USPTO, contributed to (i) the growing number of unexamined patent applications ('backlog'), and (ii) the increased time it takes to have a patent application examined ('pendency')." [3]

The most recent data from the USPTO show that the backlog now consists of 1.2 million patent applications waiting to be issued, with 771,000 of those applications waiting for an examiner to pick up the application and begin examining it.[4] Current pendency statistics show that it takes an examiner anywhere from 19 to 32

[1] U.S. Senate Judiciary Committee Majority Report, "The Patent Reform Act of 2007," Section I—Background and Purpose of S. 1145, p. 34.

[2] The latest calculations by the USPTO show a total of $762 million in user fees diverted by Congress.

[3] U.S. Senate Judiciary Committee Majority Report, "The Patent Reform Act of 2007," Section I—Background and Purpose of S. 1145, pp. 34–35.

[4] USPTO 2008 Performance and Accountability Report, Table 3: Patent Applications Pending Prior To Allowance.

months to pick up and start a first action on the patent application.[5] To fully dispose of the patent application takes anywhere from 32 to 43 months depending on the type of patent being sought.[6] Thus, Congress' chronic action to divert fees has resulted in an "innovation tax" [7] on the American economy. In these challenging economic times, what great ideas are trapped in that backlog, helplessly waiting to jumpstart America's economy by creating jobs, expanding business, and bringing new products and technology to market?

In order to remedy the problem, the Senate Judiciary Committee again had before it an amendment that would permanently secure funding for the USPTO by creating a new revolving fund designated solely for receipt of USPTO user fees and to be expended only by USPTO in the course of patent and trademark issuance.[8] The new revolving fund, or USPTO fee lockbox, allows USPTO to retain all the user fees it collects without relying on annual Congressional appropriations. Consequently, the lockbox prevents Congress from misusing USPTO user fees for other, unrelated general revenue purposes as has repeatedly occurred in the past.

In the 110th Congress, the Senate Judiciary Committee passed essentially the same amendment by overwhelming voice vote.[9] Now as then, the USPTO fee lockbox amendment enjoyed broad support and appeal. The American Bar Association sent a letter to the Senate Judiciary Committee explaining that the ABA

> determined that such fee diversion drained away essential resources from the PTO and threatened the capacity of the agency to effectively operate the patent and trademark systems that are critical to the U.S. economy. In response, the ABA House of Delegates adopted policy urging Congress to enact legislation to prohibit such fee diversion and to guarantee that all PTO fee revenue is used to provide services for which the fees were collected.[10]

The ABA concluded that adoption of the Coburn Amendment to create a USPTO fee lockbox "would provide a significant structural protection against future diversion, and we strongly urge its enactment." [11] The National Treasury Employees Union, which represents USPTO employees, expressed similar concern regarding the negative impacts of Congressional fee diversion:

> It is neither fair to applicants nor employees to endure the problems resulting from PTO staff hiring increases followed by lay-offs coupled with workload speed-ups because of a lack of a stable funding source. . . . it is our belief that PTO, its applicants, and employees would be best

[5] USPTO 2008 Performance and Accountability Report, Table 4: Patent Pendency Statistics.
[6] Id.
[7] See generally, The Institute for Policy Innovation, Issue brief: "Diversion of USPTO User Fees: A Tax on Innovation," April 30, 2009, by Marla Page Grossman.
[8] See Amendment to create a USPTO fee lockbox offered by Senator Coburn at the April 2, 2009 Judiciary Committee markup in this Report under Section II, C. Legislative History. The Report mislabels the Coburn Amendment as a "budget process" amendment.
[9] See Section 15 of S. 1145 as reported out of the Senate Judiciary Committee in the 110th Congress.
[10] See March 26, 2009, letter from Thomas M. Susman, Director of Governmental Affairs Office, of the American Bar Association, to Chairman Leahy, Ranking Member Specter and the Senate Judiciary Committee.
[11] Id.

> served by legislation to create a fee 'lockbox.' This would permit the PTO to hire and train sufficient staff to carry out its mission and meet its need for staff stability." [12]

In expressing their "strong support" for the fee lockbox amendment, the American Intellectual Property Law Association trumpeted the theme of the USPTO's need for a permanent end to fee diversion stating that,

> Without the amendment, the USPTO has no assurance of full funding, and perhaps more importantly, no way to intelligently plan long term to meet the multitude of challenges facing the Office. Given the importance of our intellectual property system as a key economic driver which attracts and protects investment in new technology, our country's innovators who pay the fees deserve no less. True patent law reform and improvements at the USPTO depend on the Office's fiscal ability to meet its growing challenges. The time has come for Congress to once and for all provide the USPTO with the ability to more predictably and intelligently plan its fiscal operation by ending the possibility of fee diversion.[13]

The witnesses at the hearing the Senate Judiciary Committee held on S. 515 also stated that they supported a permanent end to fee diversion.[14] One witness, Phillip Johnson, made it clear how important it is for Congress to include permanently ending fee diversion in its patent reform effort in the 111th Congress:

> Ensuring adequate, predictable funding for the USPTO is perhaps the single most important step Congress could take to enhance patent quality and begin to bring the backlog under control. It would enable the Office to develop a long-range strategic plan to address these problems, something it has not been able to do with year-to-year budgeting necessitated under the existing appropriations process.[15]

These examples of support for creating a USPTO fee lockbox and permanently ending fee diversion are just a sampling of examples from the breadth of support for the proposition.[16]

Although a few appropriators have raised the concern that the Amendment does not provide adequate oversight of USPTO, a plain reading of the amendment reveals that the amendment requires

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[12] See March 28, 2009, letter from Colleen M. Kelley, National President of the National Treasury Employees Union, to Chairman Leahy, Ranking Member Specter and the Senate Judiciary Committee.

[13] See March 25, 2009, letter from Terry Rea, President of the American Intellectual Property Law Association, to Chairman Leahy, Ranking Member Specter and the Senate Judiciary Committee.

[14] Five out of the six witnesses that testified have responded to Questions for the Record. All five witnesses strongly supported permanently ending fee diversion.

[15] See answers from Phillip Johnson to Questions for the Record from Senator Coburn after Senate Judiciary Committee hearing, March 10, 2009, Patent Reform in the 111th Congress.

[16] See various statements or letters from the Intellectual Property Owners Association, USPTO Patent Public Advisory Committee, both the Republican and Democratic High-Tech Taskforces, the University of California and other universities, the Wisconsin Alumni Research Foundation and other similar university research foundations, numerous major stakeholders involved in the negotiations over S. 515 including the 21st Century Coalition, the Coalition for Patent Fairness, the Innovation Alliance, Bio, and Phrma, the National Academy of Sciences, and the National Academy of Public Administration.

the USPTO to provide Congress four different annual reports. These reports give Congress oversight and accountability tools to monitor the performance of the USPTO and its use of user fees.[17] Additionally, the witnesses at the Senate Judiciary Committee hearing held on S. 515 believed the Coburn Amendment provided Congress and themselves as representatives of the USPTO user community, plenty of information by which to monitor USPTO actions and expenditures.[18]

Furthermore, the Coburn Amendment included a sunset which forces Congress to reauthorize the lockbox in five years.[19] The sunset gives the USPTO warning that Congress will be closely watching how the USPTO handles the new responsibility given to it by the lockbox. At any point during those five years, the Appropriations Committee or the Judiciary Committee, or both jointly, could require the USPTO Director to testify at hearings and explain any questionable expenditures or policies. Thus, the concerns regarding oversight simply ring hollow and are unfounded.

Without a substantial policy rationale for opposition, it is time for the Senate to act in the best interest of the economy and USPTO users and permanently end fee diversion.

TOM COBURN.
ORRIN G. HATCH.
CHUCK GRASSLEY.
JON KYL.

[17] The Coburn Amendment to S. 515 and Section 15 of S. 1145 both included requirements that USPTO produce an annual independent audit, an annual spending plan, an annual report, and that the USPTO continue to submit an annual business-type budget to the President in the President's budget cycle.

[18] Four out of the six witnesses that testified answered the relevant Question for the Record but all were in agreement.

[19] Senate appropriators chose not to accept an agreement for a shorter sunset.

MINORITY VIEWS OF SENATORS KYL, FEINGOLD, AND COBURN

American manufacturing is not going to succeed in future years by paying low wages to American workers. Nor will it thrive because of lax environmental and safety regulations in this country. And our industrial dominance does not depend solely on the success of the incumbent members of the Fortune 500—new companies are constantly rising to the top of that list and becoming the reason why America still leads the industrialized world.

What *is* critical to the health and strength of American manufacturing is our ability to innovate. It is the products that expand on the state of the art that produce high profit margins and require skilled labor—both of which make it possible for U.S. manufacturing to pay high wages. And it is these innovative products that also dominate and define the particular sectors—high technology, pharmaceuticals, aircraft, chemicals, medical devices, and others—where American industry remains pre-eminent. Indeed, reputable economists estimate that historically, between 35 and 40 percent of all U.S. productivity growth has been the result of innovation.

The legal foundation of American innovation is the U.S. patent system. Its grant of a limited monopoly to the inventors of new and useful products creates an incentive for our scientists and engineers to innovate, while also drawing capital to their efforts and talent. It is also the U.S. patent system that allows a new company that has invented a better product to reap the benefits of its ingenuity. If such a company did not have a right to the exclusive use of its invention, its established competitors would quickly copy that invention and appropriate its market value for themselves. Not only would a vigorous and innovative company be prevented from rising in an otherwise stagnant field, but the incentive for others to invest the time and resources to develop new and better products would be destroyed.

The post-grant review proceedings authorized by this bill would make it much more expensive to keep a patent, and would also make it much more difficult to enforce the rights granted by that patent. And the bill's changes to the doctrine of willfulness would immunize even outrageous conduct that infringes a patent, and would in some cases make the intentional infringement of patents a viable business strategy. Both of these changes go far beyond what is necessary to achieve their legitimate objectives, and they are the primary reason why we opposed this bill in the Judiciary Committee. We urge our colleagues to join us in insisting that these provisions be fixed before the Senate adopts this legislation.

Post-grant review

The bill creates one new administrative proceeding for challenging a patent within 12 months of its issue, and greatly expands

the use of the existing system of inter partes re-examination for challenging a patent during the course of its life.

Current law bars inter partes re-examination for any patent issued before November 22, 1999. Section 5(i) of the committee-reported bill strikes this limitation, effectively doubling the universe of patents that may be challenged by inter partes re-examination.

Even more importantly, section 5(d) of the committee-reported bill eliminates the "could-have-raised estoppel" standard that currently governs inter partes re-examination. Under this test, a party that challenges a patent in an inter partes re-examination is barred from subsequently raising in a civil action any issues that it could have raised in the inter partes re-examination. As the majority report notes, PTO has identified could-have-raised estoppel as "the primary deterrent to using [inter partes re-examination]."

Many businesses also have described could-have-raised estoppel as a powerful brake on their use of inter partes re-examination. They find this standard vague and uncertain, and fear that if they challenge a patent in an inter partes re-examination, they will lose the ability to raise later-discovered prior art against the patent if they are subsequently sued for infringement.

There can be little doubt that, by striking the 1999 limit and eliminating could-have-raised estoppel, this bill will result in the greatly expanded use of inter partes re-examination.[1]

It thus bears considering the problems with the current system of inter partes re-examination and the burdens that it imposes on patent owners. These are, in summary: it costs a patent owner hundreds of thousands of dollars to defend his patent in these proceedings; it is difficult to license or enforce a patent during the pendency of a re-examination; the threshold for initiating the proceeding is so low that 95% of all requests are granted; the proceedings typically last for several years; and competitors and infringers are allowed to bring serial challenges to the same patent.

Although inter partes re-examination is an administrative proceeding and is cheaper than litigation, it is still an expensive process. A patent owner whose patent is challenged in this proceeding must hire a patent lawyer to respond to the challenge. And that patent lawyer must be careful in the defense he mounts, as statements made during the proceeding can later form the basis of a claim in civil litigation that the patent should be held unenforceable because of inequitable conduct. Such statements also become part of the patent's history and can be used to construe its claims narrowly in litigation. The end result is that it typically costs hundreds of thousands of dollars to defend a patent in these proceedings. One university patent owner recently told us that it spent nearly a million dollars to successfully defend its patent. And, unlike in civil litigation, a patent owner who prevails in an inter partes re-examination receives—nothing. (Other than could-have-

[1] It also appears that the deterrent effect of could-have-raised estoppel is dissipating. The use of inter partes re-examination is accelerating even in the absence of legislative change: according to the latest data from the PTO, of the 609 requests for inter partes re-examination that have been filed since 1999, over 70% (427 requests) have been filed since the beginning of fiscal year 2007. *See Inter Partes* Reexamination Filing Data, March 31, 2009, at *http://www.uspto.gov/web/patents/documents/interpartes.pdf* (last visited May 6, 2009). The same PTO data also show that of the 609 requests for inter partes re-examination that have been granted, only 55 have resulted in a final decision in the agency. As of this date, no inter partes re-examination has ever been completed through final appeal.

raised estoppel against some challenges in subsequent litigation—which this bill proposes to take away.) A patent owner who prevails in an inter partes re-examination otherwise simply gets the right to keep his patent, and must pursue civil litigation if he wants to enjoin others from infringing the patent or receive damages for its infringement.

The fact that an inter partes re-examination is pending also substantially undermines a patent owner's ability to enforce his patent. Many district judges will stay a civil action for infringement if a request for inter partes re-examination of the patent has been granted. A pending re-examination also casts a cloud over a patent and inevitably reduces what it can command in licensing negotiations. These problems are compounded by the fact that it typically takes three or four years before the PTO decides an inter partes re-examination. That decision can then be appealed, which can make the process last from 5 to 8 years. And once one inter partes re-examination is completed, nothing in the law prevents another challenger from seeking an additional inter partes re-examination of the same patent. It is not uncommon for the competitors of a patent's owner or licensee to coordinate their efforts and bring serial inter partes challenges to a patent, one after the other, each raising a different set of prior art in its challenge.

In sum, the current system of inter partes re-examination can be misused to greatly devalue, if not effectively nullify, a patent for most of its useful life, even if that patent is perfectly valid and enforceable. This is the system that, by doubling the universe of challengeable patents and eliminating could-have-raised estoppel, the committee-reported bill proposes to vastly expand.

An excellent demonstration that inter partes re-examination is subject to abuse can be found on the website of a San Fernando Valley-based law firm that calls itself the "Patent Assassins." [2] This law firm advertises its ability to "use reexaminations to effectively, inexpensively and quickly reduce certain corporate risks;" its website notes that the firm "handles intellectual property matters for high technology [firms]" and that most of its clients are "companies in the $10 million to $2 billion range."

One of the ways in which inter partes re-examination currently can be used involves a strategy that this law firm calls the "traffic jam." A white paper that is available on the firm's website describes how the "traffic jam" works:

> British statesman and Prime Minister William E. Gladstone said, "Justice delayed is justice denied." The Patent Assassins turn this truth on its head in the Traffic Jam Mission. By creating uncertainty about a problem patent and tying it up in a long reexam process, the Patent Assassins effectively nullify the problem patent.
>
> Sometimes the Traffic Jam Mission involves a series of petitions for reexam. Though the USPTO's rules aim for a speedy resolution, the Patent Assassins have an arsenal of tactics that can keep a problem patent in reexam for a long, long time.

[2] *www.patentassassins.com.* (Last visited May 6, 2009.)

> Because of the uncertainty created, Traffic Jam Missions are excellent during license negotiations.
>
> You can argue against paying royalties until the reexam is complete or for lower rates until the uncertainty ends.
>
> Traffic Jam Missions also work well in litigation. A judge can "stay" a patent lawsuit pending the outcome of a reexam. If the reexam is filed early, the judge is more likely to stay the case, delaying any ruling regarding the patent at issue.

The Patent Assassins' website describes other ways in which re-examination can be used to abuse patent owners. It states that challengers can "deploy a number of covert tactics to ensure absolute anonymity. We can even make it look like the reexam was filed by someone else (*e.g.*, one of your competitors)." The website notes that inter partes re-examination can be used to "reduce or defer royalty costs without retribution." And the Patent Assassins even in effect make a policy argument for preserving the current could-have-raised estoppel standard in inter partes re-examination: their website reveals that one of the firm's tactics in ex parte re-examination (where could-have-raised estoppel does not apply) is "using one set of prior art in the reexam, and saving a second set of prior art for use in litigation."

In a recent article about the Patent Assassins in the online journal EE Times, one of the firm's attorneys protests that none of the firm's tactics are unethical. He notes that "[i]f there are wrinkles in the rules created by Congress or the patent office, we have every right to use them." [3] We highlight this law firm's advertisements not to single out or condemn this firm—indeed, as another observer quoted by the EE Times notes, "they are [simply] doing what many other law firms are doing, but others are being a bit more discreet about it." Rather, these statements show how the "wrinkles" in current re-examination allow that system to be abused—and why Congress should reform that system before allowing its use to be vastly expanded.

We should also note that the committee-reported bill's post-grant review provisions would create serious problems for the Patent and Trademark Office. Those provisions are almost identical to post-grant review provisions that passed the House of Representatives as part of a patent reform bill in 2007. Shortly after that bill passed the House, senior career staff at the PTO made clear to some of us that the post-grant review system proposed by that bill was unadministrable, would strain the PTO's resources, and would create an enormous backlog at the Office. Representatives of the Patent Office Professional Association and members of the Patent Public Advisory Committee have expressed the same concerns to us.

Congress has an obligation to seriously consider the views of those officials who will be charged with administering the system that we create. The fact that PTO's experts believe that the Office will not be able to manage the system that this bill proposes alone is reason enough to insist that these proposals be reformed.

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[3] "Patent Assassins" ad stirs reform debate, EE Times, April 21, 2009, at *http://www.eetimes.com/showArticle.jhtml?articleID=217000005.* (Last visited May 6, 2009.)

The Congressional Budget Office's Cost Estimate for this bill also should give the Senate pause. CBO believes that the PTO will need an additional $9 million to implement the bill's expanded inter partes re-examination, and that operating the new post-grant review system will cost $2 million. At a time when the PTO faces a potentially severe revenue shortfall and is under a hiring freeze, it is unclear how the Office is expected to implement these proposals without diverting resources from its core mission of examining and issuing high-quality patents.

To address the interests of patent owners and the needs of the PTO, several changes should be made to section 5 of the bill. We highlight the most important ones here. First, the threshold for initiating a post-grant review proceeding needs to elevated. The current standard—"substantial new question of patentability"—simply requires the requester to raise some interesting or noteworthy question about a patent, but does not require that the request ever raise a serious doubt in the examiner's mind as to the validity of the patent. This threshold allows 95% of all requests for inter partes re-examination to be granted. Even currently, this test overwhelms the Office with re-examinations that do not merit its time—an effect that would be compounded by the bill's elimination of restraints on the use of inter partes re-examination.

Allowing 95% of all petitions to be granted also is unduly burdensome to patent owners. It is not uncommon that a small business or university will simply abandon a patent once a request for re-examination is granted because it lacks the resources to defend the patent in that proceeding. There have also been incidents in which a large company, while negotiating a license with a small company, has initiated an inter partes re-examination for each of that small company's patents, simply to strain that company's resources and force its hand in the licensing negotiations (an effect of inter partes re-examination that is noted on the Patent Assassins' website). Given these dynamics and the fact that simply initiating an inter partes re-examination amounts to a virtual death sentence for some patents, the threshold for initiating the proceeding should require presentation of evidence that raises serious doubts about the patent's validity.

Another reform that is needed in order to reduce the burden that inter partes re-examination places on the PTO is to allow the Office to operate inter partes re-examination on an oppositional, rather than examinational, model (while continuing to limit the proceeding to patents and printed publications). The examinational model places the burden on the PTO to show that a claim is not patentable, and requires a series of filings, office actions, and responses that make this system inherently slow. By contrast, in an oppositional system, the burden is always on the challenger to show that a claim is not patentable. The parties present their evidence up front, the patent owner offers any amendments, and the PTO simply decides whether the challenger has met his burden of proving invalidity. The PTO's career staff believe than an oppositional system, accompanied by other reforms, would allow the PTO to complete almost all of these proceedings within a year.

The committee-reported bill adopts an oppositional system for the bill's first-window proceeding. Indeed, the bill even partially

authorizes the PTO to use an oppositional system in inter partes re-examination. At section 5(c), the bill strikes language from the current code that expressly requires use of the examinational model, and instead allows inter partes re-examination to be conducted "in accordance with procedures which the Director shall establish." Unfortunately, however, the bill's recodification of 35 U.S.C. § 314(b)(2) effectively requires the continued use of an examinational system. We do not think it too much to ask that this bill simply complete the changes that it originally set out to make.

Further, this bill's post-grant review proceedings should be accompanied by procedural reforms that restrict serial challenges to a patent, coordinate these proceedings with litigation, and otherwise prevent abuse and manipulation of post-grant review proceedings. And since the bill authorizes a new form of post-grant review—the first window proceeding in proposed chapter 32 of title 35—and makes inter partes re-examination available for all patents and eliminates barriers to its use, it would be appropriate to restrict use of ex parte re-examination to patent owners. Any challenge that a third party could seek in ex parte re-examination, it will now be able to seek through the first window or in inter partes re-examination. Giving challengers three different administrative proceedings for challenging patents after they have been issued—in addition to civil litigation—simply invites serial challenges to patents via different proceedings and allows other forms of abuse.

Also, in light of the current economic recession and its impact on the PTO's revenues, Congress should consider authorizing the PTO to delay implementation of post-grant review if the Director certifies that the Office lacks the resources to start conducting such reviews. And finally, we would note that section 5 of the bill should be edited to eliminate several redundancies (compare the last clause of proposed 323(3) with the first sentence of 325(a), and proposed 326(a)(3) with 326(b)(2)) and logical inconsistencies (*see* proposed 331(b) in light of 329(c)), and to ensure that it is logically and chronologically organized (*passim*). Whatever post-grant review system this Congress creates will be endured by thousands of patent owners, infringers, and lawyers, and will generate hundreds of thousands of billable hours. We owe it to these parties to take the time to see that this system is fair, logical, and easy to use.

Willfulness

Section 4 of the bill sharply restricts the circumstances under which a party that has infringed a patent may be found to have done so willfully and be subject to enhanced damages. Proposed section 284(c) effectively confines all findings of willfulness to one of the following three scenarios: (1) the infringer continued to infringe after receiving a demand letter that describes with particularity how the infringer's product infringes a patent; (2) the infringer intentionally copied the patented invention and knew that it was patented; or (3) the infringer continued its same infringing activities after having been found by a court to infringe.

If the committee-reported bill were enacted into law, consider the following examples of conduct that could never be found to be willful and that would never subject the infringer to enhanced damages:

• The infringer did not copy the patent, but was fully aware of it, knew that his product or process infringed the patent, had no reason to think the patent invalid or unenforceable, and continued to infringe because he thought that his infringement would not be discovered and that he could get away with it. (Note that this scenario is particularly likely for industrial processes. A finished product may show no sign that it was produced through the infringing use of a patented process that, for example, reduces the cost or increases the speed of producing the product.) Because this infringer did not "intentionally copy" the patented invention, under subparagraph (B) he cannot be found to have willfully infringed.

• A dozen different companies are producing indistinguishable products that blatantly and unquestionably infringe the same patent. The first ten companies are successfully sued for infringement. The last two know that the first ten have been found to infringe, and they know that their own products are indistinguishable from the ten products that have been found to infringe. But they continue to infringe anyway. Because these two companies have not "intentionally copied" the patented invention, they cannot be found to have acted willfully under subparagraph (B), and because they themselves have not yet been adjudicated to have infringed, they have not willfully infringed under subparagraph (C).

• A patent owner strongly suspects that a company is infringing his patent. He sends a demand letter that describes with particularity the patent claims that he believes to be infringed, that describes the particular products or processes that he believes may infringe, and that states his reasons for suspecting that the product infringes (or is produced by an infringing process). However, because the infringing product is very difficult to open and reverse engineer, or because the infringer is using a patented process inside a closed factory, the demand letter does not describe with particularity how the product or process infringes the patented invention. Even after the infringer has received this demand letter and continues to infringe, he cannot be found to have acted willfully under subparagraph (A), because the letter did not describe with particularity how the product or process infringes the patent.

• An infringer becomes aware that one of its product infringes a competitor's patented invention. It sends its agents to break into the competitor's research laboratory in order to learn better ways of enabling the invention that it is infringing. Because the infringer did not copy the invention itself, it cannot be found to have willfully infringed under subparagraph (A).

By limiting willful infringement only to the three scenarios described in the first paragraph of this section, the bill's proposed paragraph (2) guts the doctrine of willfulness and immunizes even outrageous infringing behavior. But the bill does not stop at that. Paragraph (3) goes on to create an absolute safe harbor for infringers if there is "sufficient evidence" that an infringer had an "informed good faith belief" that it did not infringe or that the patent was invalid or unenforceable. Paragraph (3) also makes clear that reliance on advice of counsel is one way to demonstrate an "informed good faith belief." And the paragraph further immunizes infringement accompanied by an "informed good faith belief"—even

in the absence of "sufficient evidence" of such a belief—if the infringer "sought to modify its conduct to avoid infringement."

There are several problems with paragraph (3). First, by imposing a test of "good faith belief," the provision appears to substantially unravel the progress made by the Seagate decision. As the majority report notes, Seagate imposed an "objective recklessness" test for identifying willful infringement, and also made clear that under this standard, notice of possible infringement does not give rise to an affirmative obligation to obtain opinion of counsel. But paragraph (3), by defining willfulness in terms of the infringer's good-faith belief, directs courts straight back into the discovery-intensive inquiries into the infringer's subjective intent that the Seagate standard was expected to eliminate. And moreover, by expressly making receipt of opinion of counsel an element of the safe harbor, clause (i) revives the cottage industry of lawyers who provide non-infringement opinions to companies that are accused of infringing a patent—something, again, that Seagate was expected to shut down. And finally, clause (ii)'s safe harbor for infringers who "seek to modify their conduct to avoid infringement" is absurdly broad. On its face, it extends a safe harbor even to obviously ineffective and unreasonable efforts to avoid infringement—so long as such efforts are accompanied by "good faith."

Of course, it is possible that all of paragraph (3)'s safe harbors would be irrelevant because paragraph (2) so tightly restricts the possible bases of willfulness that such a finding would never be made and no safe harbor would ever be needed. But the more likely course is that cautious corporate counsel would look to the safe harbors as potentially useful defenses, and, pursuant to clause (i), would seek opinion of counsel whenever they receive a demand letter in order to protect themselves against a finding of willfulness.

Although this part of the bill has been modified since Seagate was decided, the new text does not appear to fully assimilate the teachings of Seagate. (The fact that proposed (c)(2)(A)(i) continues to incorporate the "reasonable apprehension of suit" test that was eliminated by *MedImmune v. Genentech*, 549 U.S. 118 (2007), tends to confirm this supposition.) The bill's willfulness provisions not only unduly restrict the bases of willfulness and immunize conduct that merits enhanced damages; they also are a step backward for accused infringers, returning us to the pre-Seagate world of inquiries into the infringer's subjective intent and the cottage industry of opinion counsel.

National Academies and ABA recommendations

Finally, before the Senate sends this bill to the House of Representatives, it should consider amending it to implement proposals that have been endorsed by the National Academies and the American Bar Association to remove subjective elements from patent law. These elements, such as various "deceptive intent" exceptions and patent-forfeiture provisions that apply only to non-public prior art, no longer serve any meaningful purpose, are inconsistent with other industrialized nations' patentability standards, and add greatly to the burden and expense of patent litigation. Should this bill be enacted, it will probably be another decade before Congress again musters the will to consider patent legislation. Some of these

proposals are themselves nearly a decade old, and we know of no reasonable argument against them. If we do not enact them via this legislation, it will be at least another decade before they are enacted. They should be considered for addition to this bill.

JON KYL.
RUSS FEINGOLD.
TOM COBURN.

VIII. CHANGES TO EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by S. 1145, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

UNITED STATES CODE

TITLE 5—GOVERNMENT ORGANIZATION AND EMPLOYEES

PART III—EMPLOYEES

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Subpart D—Pay and Allowances

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CHAPTER 57—TRAVEL, TRANSPORTATION, AND SUBSISTENCE

Subchapter I—Travel and Subsistence Expenses; Mileage Allowances

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§ 5710. Authority for travel expenses test programs

(a)(1) Notwithstanding any other provision of this subchapter, under a test program which the Administrator of the General Services determines to be in the interest of the Government and approves, an agency may pay through the proper disbursing official øfor a period not to exceed 24 months¿ any necessary travel expenses in lieu of any payment otherwise authorized or required under this subchapter. An agency shall include in any request to the Administrator for approval of such a test program an analysis of the expected costs and benefits and a set of criteria for evaluating the effectiveness of the program.

* * * * * * *

ø(e) The authority to conduct test programs under this section shall expire 7 years after the date of the enactment of the Travel and Transportation Reform Act of 1998.¿ *(e)(1) The Patent and Trademark Office shall conduct a test program under this section.*

(2) In conducting the program under this subsection, the Patent and Trademark Office may pay any travel expenses of an employee for travel to and from a Patent and Trademark worksite, if—

(A) the employee is employed at a Patent and Trademark Office worksite and enters into an approved telework arrangement;

(B) the employee requests to telework from a location beyond the local commuting area of the Patent and Trademark Office worksite; and

(C) the Patent and Trademark Office approves the requested arrangement for reasons of employee convenience instead of an agency need for the employee to relocate in order to perform duties specific to the new location.

(3)(A) The Patent and Trademark Office shall establish an oversight committee comprising an equal number of members representing management and labor, including representatives from each collective bargaining unit.

(B) The oversight committee shall develop the operating procedures for the program under this subsection to—

(i) provide for the effective and appropriate function of the program; and

(ii) ensure that—

(I) reasonable technological or other alternatives to employee travel are used before requiring employee travel, including teleconferencing, videoconferencing or internet-based technologies;

(II) the program is applied consistently and equitably throughout the Patent and Trademark Office; and

(III) an optimal operating standard is developed and implemented for maximizing the use of the telework arrangement described under paragraph (2) while minimizing agency travel expenses and employee travel requirements.

(4)(A) The test program under this subsection shall be designed to enhance cost savings or other efficiencies that accrue to the Government.

(B) The Director of the Patent and Trademark Office shall—

(i) prepare an analysis of the expected costs and benefits and a set of criteria for evaluating the effectiveness of the program; and

(ii) before the test program is implemented, submit the analysis and criteria to the Administrator of General Services and to the appropriate committees of Congress.

(C) With respect to an employee of the Patent and Trademark Office who voluntarily relocates from the pre-existing duty station of that employee, the operating procedures of the program may include a reasonable maximum number of occasional visits to the pre-existing duty station before that employee is eligible for payment of any accrued travel expenses by the Office.

(D)(i) Not later than 3 months after completion of the test program under this subsection, the Director of the Patent and Trademark Office shall provide a report on the results of the program to the Administrator of General Services and to the appropriate committees of Congress.

(ii) The results in the report described under paragraph (1) may include—

(I) the number of visits an employee makes to the pre-existing duty station of that employee;

(II) the travel expenses paid by the Office;

(III) the travel expenses paid by the employee; or

(IV) any other information that the Director determines may be useful to aid the Administrator and Congress in understanding the test program and the impact of the program.

(E) In this paragraph, the term ''appropriate committees of Congress'' means—

(i) the Committees on Homeland Security and Governmental Affairs and the on Judiciary of the Senate; and

(ii) the Committees on Government Oversight and Reform and on the Judiciary of the House of Representatives.

(f)(1) Except as provided under paragraph (2), the authority to conduct test programs under this section shall expire 7 years after the date of the enactment of the Travel and Transportation Reform Act of 1998.

(2) The authority to conduct a test program by the Patent and Trademark Office under this section shall expire 20 years after the date of the enactment of the Travel and Transportation Reform Act of 1998.

UNITED STATES CODE

TITLE 15—COMMERCE AND TRADE

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CHAPTER 22—TRADEMARKS

Subchapter I—The Principal Register

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§ 1071. Appeal to courts

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(b) Civil action; persons entitled to; jurisdiction of court; status of Director; procedure

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(4) Where there is an adverse party, such suit may be instituted against the party in interest as shown by the records of the Patent and Trademark Office at the time of the decision complained of, but any party in interest may become a party to the action. If there be adverse parties residing in a plurality of districts not embraced within the same State, or an adverse party residing in a foreign country, the øUnited States District Court for the District of Columbia¿ *United States District Court for the Eastern District of Virginia* shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign

countries may be served by publication or otherwise as the court directs.

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UNITED STATES CODE

TITLE 28—JUDICIARY AND JUDICIAL PROCEDURE

PART I—ORGANIZATION OF COURTS

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CHAPTER 3—COURTS OF APPEALS

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§ 44. Appointment, tenure, residence and salary of circuit judges

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(c) Except in the District of Columbia, each circuit judge shall be a resident of the circuit for which appointed at the time of his appointment and thereafter while in active service. øWhile in active service, each circuit judge of the Federal judicial circuit appointed after the effective date of the Federal Courts Improvement Act of 1982, and the chief judge of the Federal judicial circuit, whenever appointed, shall reside within fifty miles of the District of Columbia.¿ In each circuit (other than the Federal judicial circuit) there shall be at least one circuit judge in regular active service appointed from the residents of each state in that circuit.

* * * * * * *

(e)(1) The Director of the Administrative Office of the United States Courts shall provide—

(A) a judge of the Federal judicial circuit who lives within 50 miles of the District of Columbia with appropriate facilities and administrative support services in the District of the District of Columbia; and

(B) a judge of the Federal judicial circuit who does not live within 50 miles of the District of Columbia with appropriate facilities and administrative support services—

(i) in the district and division in which that judge resides; or

(ii) if appropriate facilities are not available in the district and division in which that judge resides, in the district and division closest to the residence of that judge in which such facilities are available, as determined by the Director.

(2) Nothing in this subsection may be construed to authorize or require the construction of new facilities.

PART IV—JURISDICTION AND VENUE

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CHAPTER 83—COURTS OF APPEALS

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§ 1292. Interlocutory decisions

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(c) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

(1) of an appeal from an interlocutory order or decree described in subsection (a) or (b) of this section in any case over which the court would have jurisdiction of an appeal under section 1295 of this title; øand¿

(2) of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is final except for an accountingø.¿*; and*

(3) of a final order or decree of a district court determining construction of a patent claim in a civil action for patent infringement under section 271 of title 35, if the district court finds that there is a sufficient evidentiary record and an immediate appeal from the order (A) may materially advance the ultimate termination of litigation, or (B) will likely control the outcome of the case, unless such certification is clearly erroneous.

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§ 1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

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(4) of an appeal from a decision of—

(A) øthe Board of Patent Appeals and Interferences of the United States Patent and Trademark Office with respect to patent applications and interferences, at the instance of an applicant for a patent or any party to a patent interference, and any such appeal shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35¿ *the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to patent applications, interference proceedings, derivation proceedings, and post-grant review proceedings, at the instance of an applicant for a patent or any party to a patent interference (commenced before the effective date of the Patent Reform Act of 2009), derivation proceeding, or post-grant review proceeding, and any such appeal shall waive any right of such applicant or party to proceed under section 145 or 146 of title 35;*

(B) the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office or the Trademark Trial and Appeal Board with respect to applications for registration of marks and other proceedings as provided in section 21 of the Trademark Act of 1946 (15 U.S.C. 1071); or

(C) a district court to which a case was directed pursuant to section 145, 146, or 154 (b) of title 35;

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CHAPTER 87—DISTRICT COURTS; VENUE

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§ 1400. Patents and copyrights, mask works, and designs

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(c) CHANGE OF VENUE.—For the convenience of parties and witnesses, in the interest of justice, a district court shall transfer any civil action arising under any Act of Congress relating to patents upon a showing that the transferee venue is clearly more convenient than the venue in which the civil action is pending.

UNITED STATES CODE

TITLE 35—PATENTS

PART I—UNITED STATES PATENT AND TRADEMARK OFFICE

CHAPTER 1—ESTABLISHMENT, OFFICERS AND EMPLOYEES, FUNCTIONS

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§ 6. øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board*

(a) ESTABLISHMENT AND COMPOSITION.—øThere shall be in the United States Patent and Trademark Office a Board of Patent Appeals and Interferences. The Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Director.¿ *There shall be in the Office a Patent and Trial Appeal Board. The Director, the Deputy Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Patent Trial and Appeal Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary of Commerce. Any reference in any Federal law, Executive order, rule, regulation, or delegation of authority, or any document of or pertaining to the Board of Patent Appeals and Interferences is deemed to refer to the Patent Trial and Appeal Board.*

(b) DUTIES.—øThe Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of invention in interferences declared under section 135(a). Each appeal and interference shall be heard by at least three members of the Board, who shall be designated by the Director. Only the Board of Patent Appeals and Interferences may grant rehearings.¿*The Patent Trial and Appeal Board shall—*

(1) on written appeal of an applicant, review adverse decisions of examiners upon application for patents;

(2) on written appeal of a patent owner, review adverse decisions upon patents in reexamination proceedings under chapter 30;

(3) conduct derivation proceedings under subsection 135(a); and

(4) conduct post-grant opposition proceedings under chapter 32.

Each appeal, derivation, and post-grant review proceeding shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings. The Director shall assign each post-grant review proceeding to a panel of 3 administrative patent judges. Once assigned, each such panel of administrative patent judges shall have the responsibilities under chapter 32 in connection with post-grant review proceedings.

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CHAPTER 3—PRACTICE BEFORE PATENT AND TRADEMARK OFFICE

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§ 32. Suspension or exclusion from practice

The Director may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title, or who shall, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before the Office. The reasons for any such suspension or exclusion shall be duly recorded. The Director shall have the discretion to designate any attorney who is an officer or employee of the United States Patent and Trademark Office to conduct the hearing required by this section. The øUnited States District Court for the District of Columbia¿ *United States District Court for the Eastern District of Virginia*, under such conditions and upon such proceedings as it by its rules determines, may review the action of the Director upon the petition of the person so refused recognition or so suspended or excluded.

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CHAPTER 4—PATENT FEES; FUNDING; SEARCH SYSTEMS

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§ 41. Patent fees; patent and trademark search systems

(a) The Director shall charge the following fees:

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(6) * * *

(A) On filing an appeal from the examiner to the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board,* $300.

(B) In addition, on filing a brief in support of the appeal, $300, and on requesting an oral hearing in the appeal before the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board,* $260.

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(d) PATENT SEARCH AND OTHER FEES.—

(1) PATENT SEARCH FEES.—

(A) The Director shall charge a fee for the search of each application for a patent, except for provisional applications. The Director shall establish the fees charged under this paragraph to recover an amount not to exceed the estimated average cost to the Office of searching applications for patent either by acquiring a search report from a qualified search authority, or by causing a search by Office personnel to be made, of each application for patent. For the 3-year period beginning on the date of enactment of this Act (Dec. 8, 2004), the fee for a search by a qualified search authority of a patent application described in clause (i), (iv), or (v) of subparagraph (B) may not exceed $500, of a patent application described in clause (ii) of subparagraph (B) may not exceed $100, and of a patent application described in clause (iii) of subparagraph (B) may not exceed $300. The Director may not increase any such fee by more than 20 percent in each of the next three 1-year periodsø, and the Director may not increase any such fee thereafter¿.

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PART II—PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS

CHAPTER 10—PATENTABILITY OF INVENTIONS

§ 100. Definitions

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

(g) The terms ''joint inventor'' and ''coinventor'' mean any 1 of the individuals who invented or discovered the subject matter of a joint invention.

(h) The ''effective filing date of a claimed invention'' is—

(1) the filing date of the patent or the application for patent containing a claim to the invention; or

(2) if the patent or application for patent is entitled to a right of priority of any other application under section 119, 365(a), or 365(b) or to the benefit of an earlier filing date in the United States under section 120, 121, or 365(c), the filing date of the earliest such application in which the claimed invention is disclosed in the manner provided by the first paragraph of section 112.

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

(j) The term ''cancellation petitioner'' means the real party in interest requesting cancellation of any claim of a patent under chapter 32 of this title and the privies of the real party in interest.

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§ 102. øConditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for the purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) (1) during the course of an interference conducted under section 135 or section 291, another inventor involved therein estab-

lishes, to the extent permitted in section 104, that before such person's invention thereof the invention was made by such other inventor and not abandoned, suppressed, or concealed, or (2) before such person's invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it. In determining priority of invention under this subsection, there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.¿

Conditions for patentability; novelty

(a) NOVELTY; PRIOR ART.—A person shall be entitled to a patent unless—

(1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public—

(A) more than 1 year before the effective filing date of the claimed invention; or

(B) 1 year or less before the effective filing date of the claimed invention, other than through disclosures made by the inventor or a joint inventor or by others who obtained the subject matter disclosed directly or indirectly from the inventor or joint inventor; or

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

(b) EXCEPTIONS.—

(1) PRIOR INVENTOR DISCLOSURE EXCEPTION.—Subject matter that would otherwise qualify as prior art based upon a disclosure under subparagraph (B) of subsection (a)(1) shall not be prior art to a claimed invention under that subparagraph if the subject matter had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or others who obtained the subject matter disclosed directly or indirectly from the inventor or joint inventor.

(2) DERIVATION, PRIOR DISCLOSURE, AND COMMON ASSIGNMENT EXCEPTIONS.—Subject matter that would otherwise qualify as prior art only under subsection (a)(2), after taking into account the exception under paragraph (1), shall not be prior art to a claimed invention if—

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

(B) the subject matter had been publicly disclosed before the effective filing date of the application or patent set forth under subsection (a)(2) by the inventor or a joint inventor, or by others who obtained the subject matter disclosed, directly or indirectly, from the inventor or joint inventor; or

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

(3) JOINT RESEARCH AGREEMENT EXCEPTION.—

(A) IN GENERAL.—Subject matter and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person in applying the provisions of paragraph (2) if—

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

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

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

(B) For purposes of subparagraph (A), the term ''joint research agreement'' means a written contract, grant, or cooperative agreement entered into by 2 or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.

(4) PATENTS AND PUBLISHED APPLICATIONS EFFECTIVELY FILED.—A patent or application for patent is effectively filed under subsection (a)(2) with respect to any subject matter described in the patent or application—

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

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

§ 103. øConditions for patentability; non-obvious subject matter

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

(b)(1) Notwithstanding subsection (a), and upon timely election by the applicant for patent to proceed under this subsection, a biotechnological process using or resulting in a composition of matter that is novel under section 102 and nonobvious under subsection (a) of this section shall be considered nonobvious if—

(A) claims to the process and the composition of matter are contained in either the same application for patent or in separate applications having the same effective filing date; and

(B) the composition of matter, and the process at the time it was invented, were owned by the same person or subject to an obligation of assignment to the same person.

(2) A patent issued on a process under paragraph (1)—

(A) shall also contain the claims to the composition of matter used in or made by that process, or

(B) shall, if such composition of matter is claimed in another patent, be set to expire on the same date as such other patent, notwithstanding section 154.

(3) For purposes of paragraph (1), the term "biotechnological process" means—

(A) a process of genetically altering or otherwise inducing a single- or multi-celled organism to—

(i) express an exogenous nucleotide sequence,

(ii) inhibit, eliminate, augment, or alter expression of an endogenous nucleotide sequence, or

(iii) express a specific physiological characteristic not naturally associated with said organism;

(B) cell fusion procedures yielding a cell line that expresses a specific protein, such as a monoclonal antibody; and

(C) a method of using a product produced by a process defined by subparagraph (A) or (B), or a combination of subparagraphs (A) and (B).

(c)(1) Subject matter developed by another person, which qualifies as prior art only under one or more of subsections (e), (f), and (g) of section 102 of this title, shall not preclude patentability under this section where the subject matter and the claimed invention were, at the time the claimed invention was made, owned by the same person or subject to an obligation of assignment to the same person.

(2) For purposes of this subsection, subject matter developed by another person and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person if—

(A) the claimed invention was made by or on behalf of parties to a joint research agreement that was in effect on or before the date the claimed invention was made;

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

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

(3) For purposes of paragraph (2), the term "joint research agreement" means a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.¿ ***Conditions for patentability; nonobvious subject matter***

A patent for a claimed invention may not be obtained though the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention per-

tains. Patentability shall not be negated by the manner in which the invention was made.

[§ 104. Invention made abroad

(a) IN GENERAL.—

(1) PROCEEDINGS.—In proceedings in the Patent and Trademark Office, in the courts, and before any other competent authority, an applicant for a patent, or a patentee, may not establish a date of invention by reference to knowledge or use thereof, or other activity with respect thereto, in a foreign country other than a NAFTA country or a WTO member country, except as provided in sections 119 and 365 of this title.

(2) RIGHTS.—If an invention was made by a person, civil or military—

(A) while domiciled in the United States, and serving in any other country in connection with operations by or on behalf of the United States,

(B) while domiciled in a NAFTA country and serving in another country in connection with operations by or on behalf of that NAFTA country, or

(C) while domiciled in a WTO member country and serving in another country in connection with operations by or on behalf of that WTO member country, that person shall be entitled to the same rights of priority in the United States with respect to such invention as if such invention had been made in the United States, that NAFTA country, or that WTO member country, as the case may be.

(3) USE OF INFORMATION.—To the extent that any information in a NAFTA country or a WTO member country concerning knowledge, use, or other activity relevant to proving or disproving a date of invention has not been made available for use in a proceeding in the Patent and Trademark Office, a court, or any other competent authority to the same extent as such information could be made available in the United States, the Director, court, or such other authority shall draw appropriate inferences, or take other action permitted by statute, rule, or regulation, in favor of the party that requested the information in the proceeding.

(b) DEFINITIONS.—As used in this section—

(1) the term "NAFTA country" has the meaning given that term in section 2(4) of the North American Free Trade Agreement Implementation Act; and

(2) the term "WTO member country" has the meaning given that term in section 2(10) of the Uruguay Round Agreements Act.¿

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CHAPTER 11—APPLICATION FOR PATENT

[§ 11. Application

(a) IN GENERAL.—

* * * * * * *

(2) CONTENTS.—Such application shall include—

(A) a specification as prescribed by section 112 of this title;

(B) a drawing as prescribed by section 113 of this title; and

(C) an oath øby the applicant¿ *or declaration* as prescribed by section 115 of this title.

(3) FEE øAND OATH¿.—The application must be accompanied by the fee required by law. The fee øand oath¿ may be submitted after the specification and any required drawing are submitted, within such period and under such conditions, including the payment of a surcharge, as may be prescribed by the Director.

(4) FAILURE TO SUBMIT.—Upon failure to submit the fee øand oath¿ within such prescribed period, the application shall be regarded as abandoned, unless it is shown to the satisfaction of the Director that the delay in submitting the fee øand oath¿ was unavoidable or unintentional. The filing date of an application shall be the date on which the specification and any required drawing are received in the Patent and Trademark Office.

(b) PROVISIONAL APPLICATION.—

* * * * * * *

(8) APPLICABLE PROVISIONS.—The provisions of this title relating to applications for patent shall apply to provisional applications for patent, except as otherwise provided, and except that provisional applications for patent shall not be subject to øsections 115, 131, 135, and 157¿ *sections 131 and 135 of this title.*

§ 112. Specification

øThe specification¿ *(a) IN GENERAL.—**The specification*** shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor øof carrying out his invention¿ ***or joint inventor of carrying out the invention.***

øThe specification¿ *(b) CONCLUSION.—**The specification*** shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the øapplicant regards as his invention¿ ***inventor or a joint inventor regards as the invention.***

øA claim¿ *(c) FORM.—A claim* may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.

øSubject to the following paragraph¿ *(d) REFERENCE IN DEPENDENT FORMS.—Subject to subsection (e),* a claim in dependent form shall contain a reference to a claim previously set forth and then specify a further limitation of the subject matter claimed. A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers.

øA claim¿ *(e) REFERENCE IN MULTIPLE DEPENDENT FORM.—A claim* in multiple dependent form shall contain a reference, in the alternative only, to more than one claim previously set forth and

then specify a further limitation of the subject matter claimed. A multiple dependent claim shall not serve as a basis for any other multiple dependent claim. A multiple dependent claim shall be construed to incorporate by reference all the limitations of the particular claim in relation to which it is being considered.

øAn element¿ *(f) ELEMENT IN CLAIM FOR A COMBINATION.—An element* in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

* * * * * * *

§ 115. øOath of applicant¿ *Inventor's oath or declaration*

øThe applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent; and shall state of what country he is a citizen. Such oath may be made before any person within the United States authorized by law to administer oaths, or, when, made in a foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any officer having an official seal and authorized to administer oaths in the foreign country in which the applicant may be, whose authority is proved by certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, and such oath shall be valid if it complies with the laws of the state or country where made. When the application is made as provided in this title by a person other than the inventor, the oath may be so varied in form that it can be made by him. For purposes of this section, a consular officer shall include any United States citizen serving overseas, authorized to perform notarial functions pursuant to section 1750 of the Revised Statutes, as amended (22 U.S.C. 4221).¿ *(a) NAMING THE INVENTOR; INVENTOR'S OATH OR DECLARATION.—An application for patent that is filed under section 111(a), that commences the national stage under section 371 (including an application under section 111 that is filed by an inventor for an invention for which an application has previously been filed under this title by that inventor) shall include, or be amended to include, the name of the inventor of any claimed invention in the application. Except as otherwise provided in this section, an individual who is the inventor or a joint inventor of a claimed invention in an application for patent shall execute an oath or declaration in connection with the application.*

(b) REQUIRED STATEMENTS.—An oath or declaration under subsection (a) shall contain statements that—

(1) the application was made or was authorized to be made by the affiant or declarant; and

(2) such individual believes himself or herself to be the original inventor or an original joint inventor of a claimed invention in the application.

(c) ADDITIONAL REQUIREMENTS.—The Director may specify additional information relating to the inventor and the invention that is required to be included in an oath or declaration under subsection (a).

(d) SUBSTITUTE STATEMENT.—

(1) IN GENERAL.—In lieu of executing an oath or declaration under subsection (a), the applicant for patent may provide a substitute statement under the circumstances described in paragraph (2) and such additional circumstances that the Director may specify by regulation.

(2) PERMITTED CIRCUMSTANCES.—A substitute statement under paragraph (1) is permitted with respect to any individual who—

(A) is unable to file the oath or declaration under subsection (a) because the individual—

(i) is deceased;

(ii) is under legal incapacity; or

(iii) cannot be found or reached after diligent effort; or

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

(3) CONTENTS.—A substitute statement under this subsection shall—

(A) identify the individual with respect to whom the statement applies;

(B) set forth the circumstances representing the permitted basis for the filing of the substitute statement in lieu of the oath or declaration under subsection (a); and

(C) contain any additional information, including any showing, required by the Director.

(e) MAKING REQUIRED STATEMENTS IN ASSIGNMENT OF RECORD.—An individual who is under an obligation of assignment of an application for patent may include the required statements under subsections (b) and (c) in the assignment executed by the individual, in lieu of filing such statements separately.

(f) TIME FOR FILING.—A notice of allowance under section 151 may be provided to an applicant for patent only if the applicant for patent has filed each required oath or declaration under subsection (a) or has filed a substitute statement under subsection (d) or recorded an assignment meeting the requirements of subsection (e).

(g) EARLIER-FILED APPLICATION CONTAINING REQUIRED STATEMENTS OR SUBSTITUTE STATEMENT.—The requirements under this section shall not apply to an individual with respect to an application for patent in which the individual is named as the inventor or a joint inventor and that claims the benefit under section 120 or 365(c) of the filing of an earlier-filed application, if—

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

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

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

(h) SUPPLEMENTAL AND CORRECTED STATEMENTS; FILING ADDITIONAL STATEMENTS.—

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

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

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

(i) ACKNOWLEDGEMENT OF PENALTIES.—Any declaration or statement filed pursuant to this section shall contain an acknowledgement that any willful false statement made in such declaration or statement is punishable under section 1001 of title 18 by fine or imprisonment of not more than 5 years, or both.

§ 116. Inventors

øWhen¿ *(a) JOINT INVENTIONS.—When* an invention is made by two or more persons jointly, they shall apply for patent jointly and each make the required oath, except as otherwise provided in this title. Inventors may apply for a patent jointly even though

(1) they did not physically work together or at the same time,

(2) each did not make the same type or amount of contribution, or

(3) each did not make a contribution to the subject matter of every claim of the patent.

øIf a joint inventor¿ *(b) OMITTED INVENTOR.—If a joint inventor* refuses to join in an application for patent or cannot be found or reached after diligent effort, the application may be made by the other inventor on behalf of himself and the omitted inventor. The Director, on proof of the pertinent facts and after such notice to the omitted inventor as he prescribes, may grant a patent to the inventor making the application, subject to the same rights which the omitted inventor would have had if he had been joined. The omitted inventor may subsequently join in the application.

øWhenever¿ *(c) CORRECTION OF ERRORS IN APPLICATION.—Whenever* through error a person is named in an application for patent as the inventor, or through error an inventor is not named in an application, and such error arose without any deceptive intention

on his part, the Director may permit the application to be amended accordingly, under such terms as he prescribes.

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§ 118. Filing by other than inventor

øWhenever an inventor refuses to execute an application for patent, or cannot be found or reached after diligent effort, a person to whom the inventor has assigned or agreed in writing to assign the invention or who otherwise shows sufficient proprietary interest in the matter justifying such action, may make application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is necessary to preserve the rights of the parties or to prevent irreparable damage; and the Director may grant a patent to such inventor upon such notice to him as the Director deems sufficient, and on compliance with such regulations as he prescribes.¿ *A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent. A person who otherwise shows sufficient proprietary interest in the matter may make an application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is appropriate to preserve the rights of the parties. If the Director grants a patent on an application filed under this section by a person other than the inventor, the patent shall be granted to the real party in interest and upon such notice to the inventor as the Director considers to be sufficient.*

§ 119. Benefit of earlier filing date; right of priority

(a) An application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, or in a WTO member country, shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within twelve months from the earliest date on which such foreign application was filedø; but no patent shall be granted on any application for patent for an invention which had been patented or described in a printed publication in any country more than one year before the date of the actual filing of the application in this country, or which had been in public use or on sale in this country more than one year prior to such filing¿.

§ 120. Benefit of earlier filing date in the United States

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States, or as provided by section 363 of this title, øwhich is filed by an inventor or inventors named¿ *which names an inventor or joint inventor* in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of pro-

ceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application. No application shall be entitled to the benefit of an earlier filed application under this section unless an amendment containing the specific reference to the earlier filed application is submitted at such time during the pendency of the application as required by the Director. The Director may consider the failure to submit such an amendment within that time period as a waiver of any benefit under this section. The Director may establish procedures, including the payment of a surcharge, to accept an unintentionally delayed submission of an amendment under this section.

§ 121. Divisional applications

If two or more independent and distinct inventions are claimed in one application, the Director may require the application to be restricted to one of the inventions. If the other invention is made the subject of a divisional application which complies with the requirements of section *120* of this title it shall be entitled to the benefit of the filing date of the original application. A patent issuing on an application with respect to which a requirement for restriction under this section has been made, or on an application filed as a result of such a requirement, shall not be used as a reference either in the Patent and Trademark Office or in the courts against a divisional application or against the original application or any patent issued on either of them, if the divisional application is filed before the issuance of the patent on the other application. øIf a divisional application is directed solely to subject matter described and claimed in the original application as filed, the Director may dispense with signing and execution by the inventor.¿ The validity of a patent shall not be questioned for failure of the Director to require the application to be restricted to one invention.

§ 122. Confidential status of applications; publication of patent applications

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(e) PREISSUANCE SUBMISSIONS BY THIRD PARTIES.—

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

(A) the date a notice of allowance under section 151 is mailed in the application for patent; or

(B) either—

(i) 6 months after the date on which the application for patent is published under section 122, or

(ii) the date of the first rejection under section 132 of any claim by the examiner during the examination of the application for patent,

whichever occurs later.

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

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

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

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

§ 123. Micro-entity defined

(a) IN GENERAL.—For purposes of this title, the term ''micro-entity'' means an applicant who makes a certification under either subsection (b) or (c).

(b) UNASSIGNED APPLICATION.—For an unassigned application, each applicant shall certify that the applicant—

(1) qualifies as a small entity, as defined in regulations issued by the Director;

(2) has not been named on 5 or more previously filed patent applications;

(3) has not assigned, granted, or conveyed, and is not under an obligation by contract or law to assign, grant, or convey, a license or any other ownership interest in the particular application; and

(4) does not have a gross income, as defined in section 61(a) of the Internal Revenue Code (26 U.S.C. 61(a)), exceeding 2.5 times the average gross income, as reported by the Department of Labor, in the calendar year immediately preceding the calendar year in which the examination fee is being paid.

(c) ASSIGNED APPLICATION.—For an assigned application, each applicant shall certify that the applicant—

(1) qualifies as a small entity, as defined in regulations issued by the Director, and meets the requirements of subsection (b)(4);

(2) has not been named on 5 or more previously filed patent applications; and

(3) has assigned, granted, conveyed, or is under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the particular application to an entity that has 5 or fewer employees and that such entity has a gross income, as defined in section 61(a) of the Internal Revenue Code (26 U.S.C. 61(a)), that does not exceed 2.5 times the average gross income, as reported by the Department of Labor, in the calendar year immediately preceding the calendar year in which the examination fee is being paid.

(d) INCOME LEVEL ADJUSTMENT.—The gross income levels established under subsections (b) and (c) shall be adjusted by the Director on October 1, 2009, and every year thereafter, to reflect any fluctuations occurring during the previous 12 months in the Consumer Price Index, as determined by the Secretary of Labor.

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CHAPTER 12—EXAMINATION OF APPLICATION

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131. Examination of Application.

øThe Director shall cause¿ *(a) IN GENERAL.—The Director shall cause* an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent therefor.

(b) SEARCH AND EXAMINATION FUNCTIONS.—To the extent consistent with the United States obligations under international agreements, examination and search duties for the grant of a United States patent are sovereign functions which shall be performed within the United States by United States citizens who are employees of the United States Government.

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§ 134. øAppeal to the Board of Patent Appeals and Interferences¿ *Appeal to the Patent Trial and Appeal Board.*

(a) PATENT APPLICANT.—An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board,* having once paid the fee for such appeal.

(b) PATENT OWNER.—A patent owner in any reexamination proceeding may appeal from the final rejection of any claim by the primary examiner to the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board,* having once paid the fee for such appeal.

(c) THIRD PARTY.—A third-party requester in an inter partes proceeding may appeal to the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board* from the final decision of the primary examiner favorable to the patentability of any original or proposed amended or new claim of a patent, having once paid the fee for such appeal.

§ 135. øInterferences¿ *Derivation proceedings*

(a) øWhenever an application is made for a patent which, in the opinion of the Director, would interfere with any pending application, or with any unexpired patent, an interference may be declared and the Director shall give notice of such declaration to the applicants, or applicant and patentee, as the case may be. The Board of Patent Appeals and Interferences shall determine questions of priority of the inventions and may determine questions of patentability. Any final decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent and Trademark Office of the claims involved, and the Director may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved in the patent, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation by the Patent and Trademark Office.¿ *DISPUTE OVER RIGHT TO PATENT.—*

(1) INSTITUTION OF DERIVATION PROCEEDING.—An applicant may request initiation of a derivation proceeding to determine the right of the applicant to a patent by filing a request which sets forth with particularity the basis for finding that an earlier applicant derived the claimed invention from the applicant requesting the proceeding and, without authorization, filed an application claiming such invention. Any such request may only be made within 12 months after the date of first publication of an application containing a claim that is the same or is substantially the same as the claimed invention, must be made under oath, and must be supported by substantial evidence. Whenever the Director determines that patents or applications for patent naming different individuals as the inventor interfere with one another because of a dispute over the right to patent under section 102(a), the Director shall institute a derivation proceeding for the purpose of determining which applicant is entitled to a patent.

(2) DETERMINATION BY PATENT TRIAL AND APPEAL BOARD.—In any proceeding instituted by the Director under this subsection, the Patent Trial and Appeal Board—

(A) shall determine which applicant or patent owner is entitled to a patent on the claimed invention that is the subject of the request;

(B) in appropriate circumstances, may correct the naming of the inventor in any application or patent at issue; and

(C) shall issue a final decision on the right to patent.

(3) DERIVATION PROCEEDING.—The Board may defer action on a request to initiate a derivation proceeding until 3 months after the date on which the Director issues a patent to the applicant whose application has the earlier effective filing date.

(4) EFFECT OF FINAL DECISION.—The final decision of the Patent Trial and Appeal Board, if adverse to the claim of an applicant, shall constitute the final refusal by the United States Patent and Trademark Office on the claims involved. The Director may issue a patent to an applicant who is determined by the Patent Trial and Appeal Board to have the right to patent. The final decision of the Board, if adverse to a patentee, shall, if no appeal or other review of the decision has been or can be taken or had, constitute cancellation of the claims involved in the patent, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation by the United States Patent and Trademark Office.

(b) SETTLEMENT.—Parties to a derivation proceeding may terminate the proceeding by filing a written statement reflecting the agreement of the parties as to the correct inventors of the claimed invention in dispute. Unless the Patent Trial and Appeal Board finds the agreement to be inconsistent with the evidence of record, it shall take action consistent with the agreement. Any written settlement or understanding of the parties shall be filed with the Director. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents or applications, and shall be made available only to Government agencies on written request, or to any person on a showing of good cause.

(c) ARBITRATION.—Parties to a derivation proceeding, within such time as may be specified by the Director by regulation, may determine such contest or any aspect thereof by arbitration. Such arbitration shall be governed by the provisions of title 9 to the extent such title is not inconsistent with this section. The parties shall give notice of any arbitration award to the Director, and such award shall, as between the parties to the arbitration, be dispositive of the issues to which it relates. The arbitration award shall be unenforceable until such notice is given. Nothing in this subsection shall preclude the Director from determining patentability of the invention involved in the derivation proceeding.

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CHAPTER 13—REVIEW OF PATENT AND TRADEMARK OFFICE DECISIONS

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

An applicant dissatisfied with the decision in an appeal to the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board* under *section 134* of this title may appeal the decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal the applicant waives his or her right to proceed under section 145 of this title. A patent owner, or a third-party requester in an inter partes reexamination proceeding, who is in any reexamination proceeding dissatisfied with the final decision in an appeal to the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board* under section 134 may appeal the decision only to the United States Court of Appeals for the Federal Circuit. A party to øan interference¿ *a derivation proceeding* dissatisfied with the decision of the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board* on the [interference] *derivation proceeding* may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such øinterference¿ *derivation proceeding*, within twenty days after the appellant has filed notice of appeal in accordance with section 142 of this title, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146 of this title. If the appellant does not, within thirty days after filing of such notice by the adverse party, file a civil action under section 146, the decision appealed from shall govern the further proceedings in the case.

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§ 145. Civil action to obtain patent

An applicant dissatisfied with the decision of the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board* in an appeal under *section 134(a)* of this title may, unless appeal has been taken to the United States Court of Appeals for the Federal Circuit, have remedy by civil action against the Director in the øUnited States District Court for the District of Columbia¿ *United States District Court for the Eastern District of Virginia* if commenced within such time after such decision, not less than sixty

days, as the Director appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board*, as the facts in the case may appear, and such adjudication shall authorize the Director to issue such patent on compliance with the requirements of law. All the expenses of the proceedings shall be paid by the applicant.

§ 146. øCivil action in case of interference¿ *Civil action in case of derivation proceeding*

Any party to øan interference¿ *a derivation proceeding* dissatisfied with the decision of the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board* may have remedy by civil action, if commenced within such time after such decision, not less than sixty days, as the Director appoints or as provided in section 141 of this title, unless he has appealed to the United States Court of Appeals for the Federal Circuit, and such appeal is pending or has been decided. In such suits the record in the Patent and Trademark Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony. The testimony and exhibits of the record in the Patent and Trademark Office when admitted shall have the same effect as if originally taken and produced in the suit.

Such suit may be instituted against the party in interest as shown by the records of the Patent and Trademark Office at the time of the decision complained of, but any party in interest may become a party to the action. If there be adverse parties residing in a plurality of districts not embraced within the same state, or an adverse party residing in a foreign country, the øUnited States District Court for the District of Columbia¿ *United States District Court for the Eastern District of Virginia* shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs. The Director shall not be a necessary party but he shall be notified of the filing of the suit by the clerk of the court in which it is filed and shall have the right to intervene. Judgment of the court in favor of the right of an applicant to a patent shall authorize the Director to issue such patent on the filing in the Patent and Trademark Office of a certified copy of the judgment and on compliance with the requirements of law.

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CHAPTER 14—ISSUE OF PATENT

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§ 154. Contents and term of patent; provisional rights

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(b) ADJUSTMENT OF PATENT TERM.—

(1) PATENT TERM GUARANTEES.

(A) GUARANTEE OF PROMPT PATENT AND TRADEMARK OFFICE RESPONSES.—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the Patent and Trademark Office to—

(i) provide at least one of the notifications under section 132 of this title or a notice of allowance under section 151 of this title not later than 14 months after—

(I) the date on which an application was filed under section 111 (a) of this title; or

(II) the date on which an international application fulfilled the requirements of section 3371 of this title;

(ii) respond to a reply under section 132, or to an appeal taken under section 134, within 4 months after the date on which the reply was filed or the appeal was taken;

(iii) act on an application within 4 months after the date of a decision by the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board* under section 134 or 135 or a decision by a Federal court under section 141, 145, or 146 in a case in which allowable claims remain in the application; or

(iv) issue a patent within 4 months after the date on which the issue fee was paid under section 151 and all outstanding requirements were satisfied,

the term of the patent shall be extended 1 day for each day after the end of the period specified in clause (i), (ii), (iii), or (iv), as the case may be, until the action described in such clause is taken.

(B) GUARANTEE OF NO MORE THAN 3-YEAR APPLICATION PENDENCY.—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the United States Patent and Trademark Office to issue a patent within 3 years after the actual filing date of the application in the United States, not including—

(i) any time consumed by continued examination of the application requested by the applicant under section 132(b);

(ii) any time consumed by a proceeding under section 135(a), any time consumed by the imposition of an order under section 181, or any time consumed by appellate review by the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board* or by a Federal court; or

(iii) any delay in the processing of the application by the United States Patent and Trademark Office requested by the applicant except as permitted by paragraph (3)(C),

the term of the patent shall be extended 1 day for each day after the end of that 3-year period until the patent is issued.

(C) GUARANTEE OR ADJUSTMENTS FOR DELAYS DUE TO øINTERFERENCES¿ *DERIVATION PROCEEDINGS*, SECRECY OR-

DERS, AND APPEALS.—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to—

(i) a proceeding under section 135(a);

(ii) the imposition of an order under section 181; or

(iii) appellate review by the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board* or by a Federal court in a case in which the patent was issued under a decision in the review reversing an adverse determination of patentability,

the term of the patent shall be extended 1 day for each day of the pendency of the proceeding, order, or review, as the case may be.

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(4) APPEAL OF PATENT TERM ADJUSTMENT DETERMINATION.—

(A) An applicant dissatisfied with a determination made by the Director under paragraph (3) shall have remedy by a civil action against the Director filed in the øUnited States District Court for the District of Columbia¿ *United States District Court for the Eastern District of Virginia* within 180 days after the grant of the patent. Chapter 7 of title 5 shall apply to such action. Any final judgment resulting in a change to the period of adjustment of the patent term shall be served on the Director, and the Director shall thereafter alter the term of the patent to reflect such change.

(B) The determination of a patent term adjustment under this subsection shall not be subject to appeal or challenge by a third party prior to the grant of the patent.

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[§ 157. Statutory invention registration

(a) Notwithstanding any other provision of this title, the Director is authorized to publish a statutory invention registration containing the specification and drawings of a regularly filed application for a patent without examination if the applicant—

(1) meets the requirements of section 112 of this title;

(2) has complied with the requirements for printing, as set forth in regulations of the Director;

(3) waives the right to receive a patent on the invention within such period as may be prescribed by the Director; and

(4) pays application, publication, and other processing fees established by the Director.

If an interference is declared with respect to such an application, a statutory invention registration may not be published unless the issue of priority of invention is finally determined in favor of the applicant.

(b) The waiver under subsection (a)(3) of this section by an applicant shall take effect upon publication of the statutory invention registration.

(c) A statutory invention registration published pursuant to this section shall have all of the attributes specified for patents in this title except those specified in section 183 and sections 271 through

289 of this title. A statutory invention registration shall not have any of the attributes specified for patents in any other provision of law other than this title. A statutory invention registration published pursuant to this section shall give appropriate notice to the public, pursuant to regulations which the Director shall issue, of the preceding provisions of this subsection. The invention with respect to which a statutory invention certificate is published is not a patented invention for purposes of section 292 of this title.

(d) The Director shall report to the Congress annually on the use of statutory invention registrations. Such report shall include an assessment of the degree to which agencies of the Federal Government are making use of the statutory invention registration system, the degree to which it aids the management of federally developed technology, and an assessment of the cost savings to the Federal Government of the use of such procedures.¿

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CHAPTER 16 DESIGNS

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§ 172 Right of priority.

The right of priority provided for by subsections (a) through (d) of section 119 of this title øand the time specified in section 102(d)¿ shall be six months in the case of designs. The right of priority provided for by section 119(e) of this title shall not apply to designs.

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CHAPTER 17—SECRECY OF CERTAIN INVENTIONS AND FILING APPLICATIONS IN FOREIGN COUNTRY

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§ 184. Filing of application in foreign country

øExcept when¿ *(a) FILING IN FOREIGN COUNTRY.—Except when* authorized by a license obtained from the Commissioner of Patents a person shall not file or cause or authorize to be filed in any foreign country prior to six months after filing in the United States an application for patent or for the registration of a utility model, industrial design, or model in respect of an invention made in this country. A license shall not be granted with respect to an invention subject to an order issued by the Commissioner of Patents pursuant to section 181 of this title without the concurrence of the head of the departments and the chief officers of the agencies who caused the order to be issued. The license may be granted retroactively where an application has been filed abroad through error and without deceptive intent and the application does not disclose an invention within the scope of section 181 of this title.

øThe term¿ *(b) APPLICATION.—The term* "application" when used in this chapter includes applications and any modifications, amendments, or supplements thereto, or divisions thereof.

øThe scope¿ *(c) SUBSEQUENT MODIFICATIONS, AMENDMENTS, AND SUPPLEMENTS.—The scope* of a license shall permit subsequent modifications, amendments, and supplements containing additional

subject matter if the application upon which the request for the license is based is not, or was not, required to be made available for inspection under section 181 of this title and if such modifications, amendments, and supplements do not change the general nature of the invention in a manner which would require such application to be made available for inspection under such section 181. In any case in which a license is not, or was not, required in order to file an application in any foreign country, such subsequent modifications, amendments, and supplements may be made, without a license, to the application filed in the foreign country if the United States application was not required to be made available for inspection under section 181 and if such modifications, amendments, and supplements do not, or did not, change the general nature of the invention in a manner which would require the United States application to have been made available for inspection under such section 181.

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CHAPTER 18—PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

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§ 202. Disposition of rights

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(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

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(2) That the contractor make a written election within two years after disclosure to the Federal agency (or such additional time as may be approved by the Federal agency) whether the contractor will retain title to a subject invention: Provided, That in any case where øpublication, on sale, or public use, has initiated the one year statutory period in which valid patent protection can still be obtained in the United States¿ *the 1-year period referred to in section 102(a) would end before the end of that 2-year period,* the period for election may be shortened by the Federal agency to a date that is not more than sixty days prior to the end of øthe statutory¿ *that 1-year* period: And provided further, That the Federal Government may receive title to any subject invention in which the contractor does not elect to retain rights or fails to elect rights within such times.

(3) That a contractor electing rights in a subject invention agrees to file a patent application prior to øany statutory bar date that may occur under this title due to publication, on sale, or public use¿ *the expiration of the 1-year period referred to in section 102(a)*, and shall thereafter file corresponding patent applications in other countries in which it wishes to retain title within reasonable times, and that the Federal Government may receive title to any subject inventions in the United States

or other countries in which the contractor has not filed patent applications on the subject invention within such times.

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(7) In the case of a nonprofit organization, (A) a prohibition upon the assignment of rights to a subject invention in the United States without the approval of the Federal agency, except where such assignment is made to an organization which has as one of its primary functions the management of inventions (provided that such assignee shall be subject to the same provisions as the contractor); (B) a requirement that the contractor share royalties with the inventor; (C) except with respect to a funding agreement for the operation of a Government-owned-contractor-operated facility, a requirement that the balance of any royalties or income earned by the contractor with respect to subject inventions, after payment of expenses (including payments to inventors) incidental to the administration of subject inventions, be utilized for the support of scientific research or education; (D) a requirement that, except where it proves infeasible after a reasonable inquiry, in the licensing of subject inventions shall be given to small business firms; and (E) with respect to a funding agreement for the operation of a Government-owned-contractor-operated facility, requirements (i) that after payment of patenting costs, licensing costs, payments to inventors, and other expenses incidental to the administration of subject inventions, 100 percent of the balance of any royalties or income earned and retained by the contractor during any fiscal year up to an amount equal to 5 percent of the annual budget of the facility, shall be used by the contractor for scientific research, development, and education consistent with the research and development mission and objectives of the facility, including activities that increase the licensing potential of other inventions of the facility; provided that if said balance exceeds 5 percent of the annual budget of the facility, that ø75 percent¿ *15 percent* of such excess shall be paid to the Treasury of the United States and the remaining ø25 percent¿ *85 percent* shall be used for the same purposes as described above in this clause (D); and (ii) that, to the extent it provides the most effective technology transfer, the licensing of subject inventions shall be administered by contractor employees on location at the facility.

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PART III—PATENTS AND PROTECTION OF PATENT RIGHTS

CHAPTER 25—AMENDMENT AND CORRECTION OF PATENTS

§ 251. Reissue of defective patents

øWhenever¿ *(a) IN GENERAL.—Whenever* any patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had

a right to claim in the patent, the Director shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue.

øThe Director¿ *(b) MULTIPLE REISSUED PATENTS.—The Director* may issue several reissued patents for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for a reissue for each of such reissued patents.

øThe provisions¿ *(c) APPLICABILITY OF THIS TITLE.—The provisions* of this title relating to applications for patent shall be applicable to applications for reissue of a patent, except that application for reissue may be made and sworn to by the assignee of the entire interest if the application does not seek to enlarge the scope of the claims of the original patent.

øNo reissued patent¿ *(d) REISSUE PATENT ENLARGING SCOPE OF CLAIMS.—No reissued patent* shall be granted enlarging the scope of the claims of the original patent unless applied for within two years from the grant of the original patent.

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§ 253. Disclaimer

øWhenever¿ *(a) IN GENERAL.—Whenever*, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid. A patentee, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in such patent. Such disclaimer shall be in writing, and recorded in the Patent and Trademark Office; and it shall thereafter be considered as part of the original patent to the extent of the interest possessed by the disclaimant and by those claiming under him.

øIn like manner¿ *(b) ADDITIONAL DISCLAIMER OR DEDICATION.—In the manner set forth in subsection (a),* any patentee or applicant may disclaim or dedicate to the public the entire term, or any terminal part of the term, of the patent granted or to be granted.

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§ 256. Correction of named inventor

øWhenever¿ *(a) CORRECTION.—Whenever* through error a person is named in an issued patent as the inventor, or through error an inventor is not named in an issued patent and such error arose without any deceptive intention on his part, the Director may, on application of all the parties and assignees, with proof of the facts and such other requirements as may be imposed, issued a certificate correcting such error.

øThe error¿ *(b) PATENT VALID IF ERROR CORRECTED.—The error* of omitting inventors or naming persons who are not inventors shall not invalidate the patent in which such error occurred if it can be corrected as provided in this section. The court before which such matter is called in question may order correction of the patent

on notice and hearing of all parties concerned and the Director shall issue a certificate accordingly.

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CHAPTER 28—INFRINGEMENT OF PATENTS

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§ 273. Defense to infringement based on earlier inventor

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(b) DEFENSE TO INFRINGEMENT.—

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(6) PERSONAL DEFENSE.—øThe defense under this section may be asserted only by the person who performed the acts necessary to establish the defense and, except for any transfer to the patent owner, the right to assert the defense shall not be licensed or assigned or transferred to another person except as an ancillary and subordinate part of a good faith assignment or transfer for other reasons of the entire enterprise or line of business to which the defense relates.¿ *The defense under this section may be asserted only by the person who performed or caused the performance of the acts necessary to establish the defense as well as any other entity that controls, is controlled by, or is under common control with such person and, except for any transfer to the patent owner, the right to assert the defense shall not be licensed or assigned or transferred to another person except as an ancillary and subordinate part of a good faith assignment or transfer for other reasons of the entire enterprise or line of business to which the defense relates. Notwithstanding the preceding sentence, any person may, on its own behalf, assert a defense based on the exhaustion of rights provided under paragraph (3), including any necessary elements thereof.*

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CHAPTER 29—REMEDIES FOR INFRINGEMENT OF PATENT, AND OTHER ACTIONS

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§ 282. Presumption of validity; defenses

øA patent¿ *(a) IN GENERAL.—A patent* shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. Notwithstanding the preceding sentence, if a claim to a composition of matter is held invalid and that claim was the basis of a determination of nonobviousness under section 103(b)(1), the process shall no longer be considered nonobvious solely on the basis of section 103(b)(1). The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

øThe following¿ *(b) DEFENSES.—The following* shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

ø(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,¿ *(3) Invalidity of the patent or any claim in suit for failure to comply with—*

(A) any requirement of section 112 of this title, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or

(B) any requirement of section 251 of this title.

(4) Any other fact or act made a defense by this title.

øIn actions¿ *(c) NOTICE OF ACTIONS; ACTIONS DURING EXTENSION OF PATENT TERM.—In actions* involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Court of Federal Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires. Invalidity of the extension of a patent term or any portion thereof under section 154(b) or 156 of this title because of the material failure—

(1) by the applicant for the extension, or

(2) by the Director,

to comply with the requirements of such section shall be a defense in any action involving the infringement of a patent during the period of the extension of its term and shall be pleaded. A due diligence determination under section 156 (d)(2) is not subject to review in such an action.

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§ 284. Damages

øUpon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. Increased damages

under this paragraph shall not apply to provisional rights under section 154 (d) of this title.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.¿

(a) IN GENERAL.—

(1) COMPENSATORY DAMAGES AUTHORIZED.—Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with the interest and costs as fixed by the court.

(2) USE OF EXPERTS PERMITTED.—The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

(b) PROCEDURE FOR DETERMINING DAMAGES.—

(1) IN GENERAL.—The court shall identify the methodologies and factors that are relevant to the determination of damages, and the court or jury, shall consider only those methodologies and factors relevant to making such determination.

(2) DISCLOSURE OF CLAIMS.—By no later than the entry of the final pretrial order, unless otherwise ordered by the court, the parties shall state, in writing and with particularity, the methodologies and factors the parties propose for instruction to the jury in determining damages under this section, specifying the relevant underlying legal and factual bases for their assertions.

(3) SUFFICIENCY OF EVIDENCE.—Prior to the introduction of any evidence concerning the determination of damages, upon motion of either party or sua sponte, the court shall consider whether one or more of a party's damages contentions lacks a legally sufficient evidentiary basis. After providing a nonmovant the opportunity to be heard, and after any further proffer of evidence, briefing, or argument that the court may deem appropriate, the court shall identify on the record those methodologies and factors as to which there is legally sufficient evidentiary basis, and the court or jury shall consider only those methodologies and factors in making a determination of damages under this section. The court shall only permit the introduction of evidence relating to the determination of damages that is relevant to the methodologies and factors that the court determines may be considered in making the damages determination.

(c) WILLFUL INFRINGEMENT.—

(1) INCREASED DAMAGES.—A court that has determined that an infringer has willfully infringed a patent or patents may increase damages up to 3 times the amount of the damages found or assessed under subsection (a), except that increased damages under this paragraph shall not apply to provisional rights under section 154(d).

(2) PERMITTED GROUNDS FOR WILLFULNESS.—A court may find that an infringer has willfully infringed a patent only if the patent owner proves by clear and convincing evidence that acting with objective recklessness—

(A) after receiving written notice from the patentee—

(i) alleging acts of infringement in a manner sufficient to give the infringer an objectively reasonable apprehension of suit on such patent, and

(ii) identifying with particularity each claim of the patent, each product or process that the patent owner alleges infringes the patent, and the relationship of such product or process to such claim,

the infringer, after a reasonable opportunity to investigate, thereafter performed 1 or more of the alleged acts of infringement;

(B) the infringer intentionally copied the patented invention with knowledge that it was patented; or

(C) after having been found by a court to have infringed that patent, the infringer engaged in conduct that was not colorably different from the conduct previously found to have infringed the patent, and which resulted in a separate finding of infringement of the same patent.

(3) LIMITATIONS ON WILLFULNESS.—

(A) IN GENERAL.—Notwithstanding paragraph (2), an infringer may not be found to have acted with objective recklessness where for any period of time during which the infringer had an informed good faith belief that the patent was invalid or unenforceable, or would not be infringed by the conduct later shown to constitute infringement of the patent, and—

(i) there was reasonable reliance on advice of counsel;

(ii) the infringer sought to modify its conduct to avoid infringement once it had discovered the patent; or

(iii) there is sufficient evidence that the infringer had a good faith belief that the patent was invalid or unenforceable, or would not be infringed by conduct later shown to constitute infringement of the patent.

(B) RELEVANCE OF NOT PRESENTING CERTAIN EVIDENCE.—The decision of the infringer not to present evidence of advice of counsel is not relevant to a determination of willful infringement under paragraph (2).

(4) LIMITATION ON PLEADING.—Before the date on which a court determines that the patent in suit is not invalid, is enforceable, and has been infringed by the infringer, a patentee may not plead and a court may not determine that an infringer has willfully infringed a patent.

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§ 287. Limitation on damages and other remedies; marking and notice

(a) Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them, or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, *or by fixing thereon the word ''patent'' or*

the abbreviation ''pat.'' together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

* * * * * * *

(c)

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(4) This subsection shall not apply to any patent issued based on an application øthe earliest effective filing date of which is prior to¿ *which has an effective filing date before* September 30, 1996.

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ø§ 291. Interfering patents

The owner of an interfering patent may have relief against the owner of another by civil action, and the court may adjudge the question of the validity of any of the interfering patents, in whole or in part. The provisions of the second paragraph of section 146 of this title shall apply to actions brought under this section.¿

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§ 293. Nonresident patentee; service and notice.

Every patentee not residing in the United States may file in the Patent and Trademark Office a written designation stating the name and address of a person residing within the United States on whom may be served process or notice of proceedings affecting the patent or rights thereunder. If the person designated cannot be found at the address given in the last designation, or if no person has been designated, the øUnited States District Court for the District of Columbia¿ *United States District Court for the Eastern District of Virginia* shall have jurisdiction and summons shall be served by publication or otherwise as the court directs. The court shall have the same jurisdiction to take any action respecting the patent or rights thereunder that it would have if the patentee were personally within the jurisdiction of the court.

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CHAPTER 30—PRIOR ART CITATIONS TO OFFICE AND EX PARTE REEXAMINATION OF PATENTS

§ 301. Citation of prior art

øAny person at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a

particular patent. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.¿

(a) IN GENERAL.—Any person at any time may cite to the Office in writing—

(1) prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent; or

(2) written statements of the patent owner filed in a proceeding before a Federal court or the Patent and Trademark Office in which the patent owner takes a position on the scope of one or more patent claims.

(b) SUBMISSIONS PART OF OFFICIAL FILE.—If the person citing prior art or written submissions under subsection (a) explains in writing the pertinence and manner of applying the prior art or written submission to at least one claim of the patent, the citation of the prior art or written submissions (as the case may be) and explanation thereof shall become a part of the official file of the patent.

(c) PROCEDURES FOR WRITTEN STATEMENTS.—

(1) SUBMISSION OF ADDITIONAL MATERIALS.—A party that submits written statements under subsection (a)(2) in a proceeding shall include any other documents, pleadings, or evidence from the proceeding that address the patent owner's statements or the claims addressed by the written statements.

(2) LIMITATION ON USE OF STATEMENTS.—Written statements submitted under subsection (a)(2) shall not be considered for any purpose other than to determine the proper meaning of the claims that are the subject of the request in a proceeding ordered pursuant to section 304 or 313. Any such written statements, and any materials submitted under paragraph (1), that are subject to an applicable protective order shall be redacted to exclude information subject to the order.

(d) IDENTITY WITHHELD.—Upon the written request of the person citing prior art or written statements under subsection (a), the person's identity shall be excluded from the patent file and kept confidential.

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§ 303. Determination of issue by Director

(a) øWithin three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or

to the Office or considered by the Office.¿ *Within three months following the filing of a request for reexamination under section 302, the Director shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On the Director's own initiative, and at any time, the Director may determine whether a substantial new question of patentability is raised by patents or publications discovered by the Director, is cited under section 301, or is cited by any person other than the owner of the patent under section 302 or section 311. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously considered by the Office.*

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§ 305. Conduct of reexamination proceedings

After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examination under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board,* will be conducted with special dispatch within the Office.

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CHAPTER 31—OPTIONAL INTER PARTES REEXAMINATION PROCEDURES

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§ 314 Conduct of inter partes reexamination proceedings

(a) IN GENERAL.—Except as otherwise provided in this section, reexamination shall be øconducted according to the procedures established for initial examination under the provisions of *sections* 132 and 133¿ *heard by an administrative patent judge in accordance with procedures which the Director shall establish.* In any inter partes reexamination proceeding under this chapter, the patent owner shall be permitted to propose any amendment to the patent and a new claim or claims, except that no proposed amended or new claim enlarging the scope of the claims of the patent shall be permitted.

(b) RESPONSE.—

(1) With the exception of the inter partes reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party. In addition, the Office shall send to the third-party requester a copy

of any communication sent by the Office to the patent owner concerning the patent subject to the inter partes reexamination proceeding.

(2) øEach time that the patent owner files a response to an action on the merits from the Patent and Trademark Office, the third-party requester shall have one opportunity to file written comments addressing issues raised by the action of the Office or the patent owner's response thereto, if those written comments are received by the Office within 30 days after the date of service of the patent owner's response.¿ *The third-party requester shall have the opportunity to file written comments on any action on the merits by the Office in the inter partes reexamination proceeding, and on any response that the patent owner files to such an action, if those written comments are received by the Office within 60 days after the date of service on the third-party requester of the Office action or patent owner response, as the case may be.*

(c) SPECIAL DISPATCH.—Unless otherwise provided by the Director for good cause, all inter partes reexamination proceedings under this section, including any appeal to the øBoard of Patent Appeals and Interferences¿ *Patent Trial and Appeal Board,* shall be conducted with special dispatch within the Office.

(d) ORAL HEARING.—At the request of a third-party requestor or the patent owner, the administrative patent judge shall conduct an oral hearing, unless the judge finds cause lacking for such a hearing.

§ 315. Appeal

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(c) CIVIL ACTION.—A third-party requester whose request for an inter partes reexamination results in an order under section 313 is estopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28, the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised øor could have raised¿ during the inter partes reexamination proceedings. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the inter partes reexamination proceedings.

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§ 317. Inter partes reexamination prohibited

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(b) øFINAL DECISION¿ *DISTRICT COURT DECISION.*—øOnce a final decision has been entered¿ *Once the judgement of the district court has been entered* against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit or if a final decision in an inter partes reexamination proceeding instituted by a third-party requester is favorable to the patentability of any original or proposed amended or new claim of the patent, then neither that party nor its privies may thereafter

request an inter partes reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or inter partes reexamination proceeding, and an inter partes reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the inter partes reexamination proceedings.

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CHAPTER 32—POST-GRANT REVIEW PROCEDURES

§ 321. Petition for post-grant review

Subject to sections 322, 324, 332, and 333, a person who is not the patent owner may file with the Office a petition for cancellation seeking to institute a post-grant review proceeding to cancel as unpatentable any claim of a patent on any ground that could be raised under section 282 (relating to invalidity of the patent or any claim). The Director shall establish, by regulation, fees to be paid by the person requesting the proceeding, in such amounts as the Director determines to be reasonable.

§ 322. Timing and bases of petition

A post-grant proceeding may be instituted by the Director under this chapter pursuant to a cancellation petition filed under section 321. Such proceeding may be instituted only if—

(1) the petition is filed not later than 12 months after the issuance of the patent or a reissue patent, as the case may be; or

(2) the patent owner consents in writing to the proceeding.

§ 323. Requirements of petition

A cancellation petition filed under section 321 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 321;

(2) the petition identifies the cancellation petitioner;

(3) for each claim sought to be cancelled, the petition sets forth in writing the basis for cancellation and provides the evidence in support thereof, including copies of patents and printed publications, or written testimony of a witness attested to under oath or declaration by the witness, or any other information that the Director may require by regulation; and

(4) the petitioner provides copies of the petition, including any evidence submitted with the petition and any other information submitted under paragraph (3), to the patent owner or, if applicable, the designated representative of the patent owner.

§ 324. Prohibited filings

A post-grant review proceeding may not be instituted under section 322 if the petition for cancellation requesting the proceeding—

(1) identifies the same cancellation petitioner and the same patent as a previous petition for cancellation under such section; or

(2) is based on the best mode requirement contained in section 112.

§ 325. Submission of additional information; showing of sufficient grounds

(a) IN GENERAL.—The cancellation petitioner shall file such additional information with respect to the petition as the Director may require. For each petition submitted under section 321, the Director shall determine if the written statement, and any evidence submitted with the request, establishes that a substantial question of patentability exists for at least one claim in the patent. The Director may institute a post-grant review proceeding if the Director determines that the information presented provides sufficient grounds to believe that there is a substantial question of patentability concerning one or more claims of the patent at issue.

(b) NOTIFICATION; DETERMINATIONS NOT REVIEWABLE.—The Director shall notify the patent owner and each petitioner in writing of the Director's determination under subsection (a), including a determination to deny the petition. The Director shall make that determination in writing not later than 60 days after receiving the petition. Any determination made by the Director under subsection (a), including whether or not to institute a post-grant review proceeding or to deny the petition, shall not be reviewable.

§ 326. Conduct of post-grant review proceedings

(a) IN GENERAL.—The Director shall prescribe regulations, in accordance with section 2(b)(2)—

(1) establishing and governing post-grant review proceedings under this chapter and their relationship to other proceedings under this title;

(2) establishing procedures for the submission of supplemental information after the petition for cancellation is filed; and

(3) setting forth procedures for discovery of relevant evidence, including that such discovery shall be limited to evidence directly related to factual assertions advanced by either party in the proceeding, and the procedures for obtaining such evidence shall be consistent with the purpose and nature of the proceeding.

In carrying out paragraph (3), the Director shall bear in mind that discovery must be in the interests of justice.

(b) POST-GRANT REGULATIONS.—Regulations under subsection (a)(1)—

(1) shall require that the final determination in a post-grant proceeding issue not later than one year after the date on which the post-grant review proceeding is instituted under this chapter, except that, for good cause shown, the Director may extend the 1–year period by not more than six months;

(2) shall provide for discovery upon order of the Director;

(3) shall provide for publication of notice in the Federal Register of the filing of a petition for post-grant review under this

chapter, for publication of the petition, and documents, orders, and decisions relating to the petition, on the website of the Patent and Trademark Office, and for filings under seal exempt from publication requirements;

(4) shall prescribe sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or unnecessary increase in the cost of the proceeding;

(5) may provide for protective orders governing the exchange and submission of confidential information; and

(6) shall ensure that any information submitted by the patent owner in support of any amendment entered under section 329 is made available to the public as part of the prosecution history of the patent.

(c) CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect on the economy, the integrity of the patent system, and the efficient administration of the Office.

(d) CONDUCT OF PROCEEDING.—The Patent Trial and Appeal Board shall, in accordance with section 6(b), conduct each post-grant review proceeding instituted by the Director.

§ 327. Patent owner response

After a post-grant proceeding under this chapter has been instituted with respect to a patent, the patent owner shall have the right to file, within a time period set by the Director, a response to the cancellation petition. The patent owner shall file with the response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response.

§ 328. Proof and evidentiary standards

(a) IN GENERAL.—The presumption of validity set forth in section 282 shall not apply in a challenge to any patent claim under this chapter.

(b) BURDEN OF PROOF.—The party advancing a proposition under this chapter shall have the burden of proving that proposition by a preponderance of the evidence.

§ 329. Amendment of the patent

(a) IN GENERAL.—In response to a challenge in a petition for cancellation, the patent owner may file one motion to amend the patent in one or more of the following ways:

(1) Cancel any challenged patent claim.

(2) For each challenged claim, propose a substitute claim.

(3) Amend the patent drawings or otherwise amend the patent other than the claims.

(b) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted only for good cause shown.

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

§ 330. Decision of the Board

If the post-grant review proceeding is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision addressing the patentability of any patent claim challenged and any new claim added under section 329.

§ 331. Effect of decision

(a) IN GENERAL.—If the Patent Trial and Appeal Board issues a final decision under section 330 and the time for appeal has expired or any appeal proceeding has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable and incorporating in the patent by operation of the certificate any new claim determined to be patentable.

(b) NEW CLAIMS.—Any new claim held to be patentable and incorporated into a patent in a post-grant review proceeding shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, offered to sell, or used within the United States, anything patented by such new claim, or who made substantial preparations therefor, before a certificate under subsection (a) of this section is issued.

§ 332. Settlement

(a) IN GENERAL.—A post-grant review proceeding shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Patent Trial and Appeal Board has issued a written decision before the request for termination is filed. If the post-grant review proceeding is terminated with respect to a petitioner under this paragraph, no estoppel shall apply to that petitioner. If no petitioner remains in the proceeding, the panel of administrative patent judges assigned to the proceeding shall terminate the proceeding.

(b) AGREEMENT IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in the agreement or understanding, that is made in connection with or in contemplation of the termination of a post-grant review proceeding, must be in writing. A post-grant review proceeding as between the parties to the agreement or understanding may not be terminated until a copy of the agreement or understanding, including any such collateral agreements, has been filed in the Office. If any party filing such an agreement or understanding requests, the agreement or understanding shall be kept separate from the file of the post-grant review proceeding, and shall be made available only to Government agencies on written request, or to any person on showing of good cause.

§ 333. Relationship to other proceedings

(a) IN GENERAL.—Notwithstanding subsection 135(a), sections 251 and 252, and chapter 30, the Director may determine the manner in which any reexamination proceeding, reissue proceeding, interference proceeding (commenced with respect to an application for patent filed before the effective date provided in section 5(k) of the Patent Reform act of 2009), derivation proceeding, or post-grant review proceeding, that is pending during a post-grant review pro-

ceeding, may proceed, including providing for stay, transfer, consolidation, or termination of any such proceeding.

(b) STAYS.—The Director may stay a post-grant review proceeding if a pending civil action for infringement of a patent addresses the same or substantially the same questions of patentability raised against the patent in a petition for post-grant review proceeding.

(c) EFFECT OF COMMENCEMENT OF PROCEEDING.—The commencement of a post-grant review proceeding—

(1) shall not limit in any way the right of the patent owner to commence an action for infringement of the patent; and

(2) shall not be cited as evidence relating to the validity of any claim of the patent in any proceeding before a court or the International Trade Commission concerning the patent.

§ 334. Effect of decisions rendered in civil action on post-grant review proceedings

If a final decision is entered against a party in a civil action arising in whole or in part under section 1338 of title 28 establishing that the party has not sustained its burden of proving the invalidity of any patent claim—

(1) that party to the civil action and the privies of that party may not thereafter request a post-grant review proceeding on that patent claim on the basis of any grounds, under the provisions of section 321, which that party or the privies of that party raised or could have raised; and

(2) the Director may not thereafter maintain a post-grant review proceeding that was requested, before the final decision was so entered, by that party or the privies of that party on the basis of such grounds.

§ 335. Effect of final decision on future proceedings

If a final decision under section 330 is favorable to the patentability of any original or new claim of the patent challenged by the cancellation petitioner, the cancellation petitioner may not thereafter, based on any ground that the cancellation petitioner raised during the post-grant review proceeding—

(1) request or pursue a reexamination of such claim under chapter 31;

(2) request or pursue a derivation proceeding with respect to such claim;

(3) request or pursue a post-grant review proceeding under this chapter with respect to such claim;

(4) assert the invalidity of any such claim in any civil action arising in whole or in part under section 1338 of title 28; or

(5) assert the invalidity of any such claim in defense to an action brought under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337).

§ 336. Appeal

A party dissatisfied with the final determination of the Patent Trial and Appeal Board in a post-grant proceeding under this chapter may appeal the determination under sections 141 through 144.

Any party to the post-grant proceeding shall have the right to be a party to the appeal.

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PART IV—PATENT COOPERATION TREATY

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CHAPTER 36—INTERNATIONAL STAGE

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§ 363. International application designating the United States: Effect

An international application designating the United States shall have the effect, from its international filing date under article 11 of the treaty, of a national application for patent regularly filed in the Patent and Trademark Office øexcept as otherwise provided in section 102(e) of this title¿.

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CHAPTER 37—NATIONAL STAGE

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§ 374. Publication of international application

The publication under the treaty defined in section 351(a) of this title, of an international application designating the United States shall be deemed a publication under section 122(b), except as provided in øsections 102(e) and 154(d)¿ *section 154(d)* of this title.

§ 375. Patent issued on international application: Effect

(a) A patent may be issued by the Director based on an international application designating the United States, in accordance with the provisions of this title. øSubject to section 102(e) of this title, such¿ *Such* patent shall have the force and effect of a patent issued on a national application filed under the provisions of chapter 11 of this title.

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CONSOLIDATED APPROPRIATIONS ACT OF 2000 (P.L. 106–113)

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Appendix I—S. 1948

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TITLE IV—INVENTOR PROTECTION

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Subtitle F—Optional inter partes Reexamination Procedure

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øSEC. 4607. ESTOPPEL EFFECT OF REEXAMINATION

Any party who requests an inter partes reexamination under section 311 of title 35, United States Code, is estopped from challenging at a later time, in any civil action, any fact determined during the process of such reexamination, except with respect to a fact determination later proved to be erroneous based on information unavailable at the time of the inter partes reexamination decision. If this section is held to be unenforceable, the enforceability of the remainder of this subtitle or of this title shall not be denied as a result.¿

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CONSOLIDATED APPROPRIATIONS ACT OF 2005 (P.L. 108–447)

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DIVISION B—DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS ACT OF 2005

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TITLE VIII—PATENT AND TRADEMARK FEES

SEC. 801. FEES FOR PATENT SERVICES

(a) GENERAL PATENT FEES.—øDuring fiscal years 2005 and 2006¿ *Until such time as the Director sets or adjusts the fees otherwise*, subsection (a) of section 41 of title 35, United States Code, shall be administered as though that subsection reads as follows:

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SEC. 802. ADJUSTMENT OF TRADEMARK FEES

(a) FEE FOR FILING APPLICATION.—øDuring fiscal years 2005 and 2006¿ *Until such time as the Director sets or adjusts the fees otherwise,* under such conditions as may be prescribed by the Director, the fee under section 31(a) of the Trademark Act of 1946 (15 U.S.C. 1113(a)) for: (1) the filing of a paper application for the registration of a trademark shall be $375; (2) the filing of an electronic application shall be $325; and (3) the filing of an electronic application meeting certain additional requirements prescribed by the Director shall be $275. During fiscal years 2005, 2006 and 2007, the provisions of the second and third sentences of section 31(a) of the Trademark Act of 1946 shall apply to the fees established by this section.

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SEC. 803. EFFECTIVE DATE, APPLICABILITY, AND TRANSITIONAL PROVISION

(a) EFFECTIVE DATE.—Except as otherwise provided in this title (including in this section), the provisions of this title shall take effect on the date of the enactment of this Act øand shall apply only with respect to the remaining portion of fiscal year 2005 and fiscal year 2006¿.

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