(3) improve recruitment of patent examiners;
(4) decrease the number of patent applications waiting for examination; and
(5) improve the quality of patent examination.

(c) REQUIRED CONSIDERATIONS.—

(1) IN GENERAL.—In selecting the location of each satellite office to be established under subsection (a), the Director—

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

(B) may rely upon any previous evaluations by the Office of potential locales for satellite offices, including any evaluations prepared as part of the Office's Nationwide Workforce Program that resulted in the 2010 selection of Detroit, Michigan, as the first satellite office of the Office.

(2) OPEN SELECTION PROCESS.—Nothing in paragraph (1) shall constrain the Office to only consider its evaluations in selecting the Detroit, Michigan, satellite office.

(d) REPORT TO CONGRESS.—Not later than the end of the third fiscal year that begins after the date of the enactment of this Act, the Director shall submit a report to Congress on—

(1) the rationale of the Director in selecting the location of any satellite office required under subsection (a);
(2) the progress of the Director in establishing all such satellite offices; and
(3) whether the operation of existing satellite offices is achieving the purposes under subsection (b).

SEC. 24. DESIGNATION OF DETROIT SATELLITE OFFICE.

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

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

SEC. 25. PATENT OMBUDSMAN PROGRAM FOR SMALL BUSINESS CONCERNS.

Using available resources, the Director shall establish and maintain in the Office a Patent Ombudsman Program. The duties of the Program's staff shall include providing support and services relating to patent filings to small business concerns.

SEC. 26. PRIORITY EXAMINATION FOR TECHNOLOGIES IMPORTANT TO AMERICAN COMPETITIVENESS.

Section 2(b)(2) of title 35, United States Code, is amended—

(1) in subparagraph (E), by striking "and" after the semicolon;
(2) in subparagraph (F), by inserting "and" after the semicolon; and
(3) by adding at the end the following:

"(G) may, subject to any conditions prescribed by the Director and at the request of the patent applicant, provide for prioritization of examination of applications for products, processes, or technologies that are important to the national economy or national competitiveness without recovering the aggregate extra cost of providing such prioritization, notwithstanding section 41 or any other provision of law;".

SEC. 27. CALCULATION OF 60-DAY PERIOD FOR APPLICATION OF PATENT TERM EXTENSION.

(a) IN GENERAL.—Section 156(d)(1) of title 35, United States Code, is amended by adding at the end the following flush sentence:

"For purposes of determining the date on which a product receives permission under the second sentence of this paragraph, if such permission is transmitted after 4:30 P.M., Eastern Time, on a business day, or is transmitted on a day that is not a business day, the product shall be deemed to receive such permission on the next business day. For purposes of the preceding sentence, the term 'business day' means any Monday, Tuesday, Wednesday, Thursday, or Friday, excluding any legal holiday under section 6103 of title 5.".

(b) APPLICABILITY.—The amendment made by subsection (a) shall apply to any application for extension of a patent term under section 156 of title 35, United States Code, that is pending on, that is filed after, or as to which a decision regarding the application is subject to judicial review on, the date of the enactment of this Act.

SEC. 28. STUDY ON IMPLEMENTATION.

(a) PTO STUDY.—The Director shall conduct a study on the manner in which this Act and the amendments made by this Act are being implemented by the Office, and on such other aspects of the patent policies and practices of the Federal Government with respect to patent rights, innovation in the United States, competitiveness of United States markets, access by small businesses to capital for investment, and such other issues, as the Director considers appropriate.

(b) REPORT TO CONGRESS.—The Director shall, not later than the date that is 4 years after the date of the enactment of this Act, submit to the Committees on the Judiciary of the House of Representatives and the Senate a report on the results of the study conducted under subsection (a), including recommendations for any changes to laws and regulations that the Director considers appropriate.

SEC. 29. PRO BONO PROGRAM.

(a) IN GENERAL.—The Director shall work with and support intellectual property law associations across the country in the establishment of pro bono programs designed to assist financially under-resourced independent inventors and small businesses.

(b) EFFECTIVE DATE.—This section shall take effect on the date of the enactment of this Act.

SEC. 30. EFFECTIVE DATE.

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

SEC. 31. BUDGETARY EFFECTS.

The budgetary effects of this Act, for the purpose of complying with the Statutory Pay-As-You-Go Act of 2010, shall be determined by reference to the latest statement titled "Budgetary Effects of PAYGO Legislation" for this Act, submitted for printing in the Congressional Record by the Chairman of the House Budget Committee, provided that such statement has been submitted prior to the vote on passage.

Purpose and Summary

The Constitution explicitly grants Congress the power to "promote the progress of science and useful arts, by securing for limited times to . . . inventors the exclusive right to their respective . . . discoveries."[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 nearly 60 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

[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.

practices in the patent realm. The need to update our patent laws has been meticulously documented in 15 hearings before the Committee or its Subcommittee on Courts, the Internet, and Intellectual Property, as well as eight hearings before the United States Senate Committee on the Judiciary. In addition, these legislative findings are augmented by the Federal Trade Commission and the National Academy of Sciences,[5] both of which published authoritative reports on patent reform, and a plethora of academic commentary.[6]

While Congress has considered patent reform legislation over the last four 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 six of the patent-related cases that it has heard since the beginning of the 109th Congress.[7] The 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

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[5] The National Academy of Sciences (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 Bilski v. Kappos,* _____ U.S. ____, 130 S.Ct. 3218 (2010) (reversing the Federal Circuit and holding that the machine-or-transformation test is not the sole test for determining the patent eligibility of a process); *Quanta Computer, Inc. v. LG Elecs. Inc.,* 553 U.S. 617 (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. 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).

should not have issued; and reducing unwarranted litigation costs and inconsistent damage awards.

The purpose of the "America Invents Act," as reported by the 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 drafted and then amended the "America Invents Act" to balance the competing interests. The legislation ordered reported by the Committee on a vote of 32–3 is a consensus approach that will modernize the United States patent system in significant respects.

Background and Need for the Legislation

First Inventor to File

The "America Invents Act" 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 patent 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 in-

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

vented 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, because it is always possible that 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 between the two systems 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 its 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 new inventions, regardless of whether an application may later be filed for a patent on it.

Numerous organizations, institutions, and companies have advocated that 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

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[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.).

[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) (state-

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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 America Invents Act 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 1-year grace period. As part of the transition to a simpler, more efficient first-inventor-to-file system, this provision eliminates 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 new proceeding 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 1-year grace period for U.S. applicants. Applicants' own publication or disclosure that occurs within 1 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 1-year grace period should continue to give U.S. applicants the time they need to prepare and file their applications.

This provision 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 1 year of filing. Prior art also will no longer have any geographic limitations. Thus, in section 102 the "in this country"

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ment 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, University of Pennsylvania), 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).

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 accessible. Prior art based on earlier-filed United States applications is maintained,[19] as is current law's grace period, which will apply to all actions by the patent owner during the year prior to filing that would otherwise create § 102(a) prior art.[20] Sections (and subsections) of the existing statute are renumbered, modified, or deleted consistent with converting to a first-inventor-to-file system.[21] 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. The Act also provides that its enactment of new section 102(c) of title 35 is done with the same intent to promote joint research activities that was expressed in the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108–453), and that section 102(c) shall be administered in a manner consistent with such intent.

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 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 example, 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

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

[20] *See generally* 157 Cong. Rec. S.1496–97 (daily ed. March 9, 2011), S. 1370–71 (daily ed. March 8, 2011).

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

[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).

[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., when 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).

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 when either the inventor (i) is unable to submit an oath, or (ii) is both unwilling to do so and under an obligation to assign the invention. If an error is discovered, the statement may later be 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 that any error has been remedied. Willful false statements remain 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 that person's rights and those of the inventor.

Defense to infringement based on earlier inventor

Under current law, "prior user rights" may offer a defense to patent infringement when the patent in question is a "business method patent"[28] and its inventor uses the invention, but never files a patent application for it.[29] 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.

Many counties include a more expansive prior-user rights regime within their first-to-file system. In the United States, this is particularly important to high-tech businesses that prefer not to patent every process or method that is part of their commercial operations. The Act responds to this point by revising US law as follows: First, the prior-use defense may be asserted against any patent (not just method patents), provided the person asserting the defense reduced the subject matter of the patent to practice and commercially used the subject matter at least 1 year before the effective filing date of the patent. Second, the defense cannot be asserted if the subject matter was derived from the patent holder or persons in privity with the patent holder. And third, the defense cannot be asserted unless the prior user both reduced the subject matter of the patent to practice and commercially used it at least 1 year before the effective filing date of the patent or the date that the patentee publicly disclosed the invention and invoked the § 102(b) grace period, whichever is earlier.

This narrow expansion of prior-user rights balances the interests of patent holders, including universities, against the legitimate concerns of businesses that want to avoid infringement suits relating to processes that they developed and used prior to another party acquiring related patents.

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[27] *See* 18 U.S.C. § 1001.

[28] 35 U.S.C. § 273(a)(3) states: "The term 'method' means a method of doing or conducting business."

[29] *See* 35 U.S.C. § 273.

Post-grant review proceedings

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,[30] in the expectation that it would serve as an effective and efficient alternative to often costly and protracted district court litigation.[31] Reexamination requires the USPTO to review the patent in light of a substantial new question of patentability not presented during the original examination.[32] 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) or § 112 (indefiniteness, enablement, written description, best mode). 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,[33] 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.[34]

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[30] *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.

[31] "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.

[32] *See* 35 U.S.C. § 303.

[33] *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 4 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.

[34] 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 complete. More recently, the

Continued

Congress has responded several times to criticisms of the reexamination system by making amendments to the process.[35] 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.[36] Congress also eventually gave third-party challengers the right to appeal adverse decisions.[37]

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.[38] 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.[39] No inter partes reexamination requests were actually filed in 2000 and only 27 such requests had been filed by 2004.[40] Over the 5-year period studied by the USPTO, it issued 900,000 patents and received only 53 requests for inter partes reexamination.[41]

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."[42]

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 converts inter partes reexamination from an examinational to an adjudicative proceeding, and renames the pro-

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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," is no longer permitted. *See, e.g.,* Manual of Patent Examining Procedure (MPEP) §§ 2236 and 2240 (August 2006).

[35] *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").

[36] *See* 35 U.S.C. §§ 311–318.

[37] *See* 35 U.S.C. § 315(b).

[38] AIPA, Pub. L. 106–113, § 4606.

[39] *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.

[40] *Id.* at 5.

[41] *Id.*

[42] 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 and contract the definition of certain other forms of prior art, are not intended to change the particular "patent or printed publication" prior art, which will continue to be the sole basis for initiating reexamination proceedings.

ceeding "inter partes review." The Act also makes the following improvements to this proceeding:

- **"Reasonable likelihood of success" for instituting inter partes review.** The threshold for initiating an inter partes review is elevated from "significant new question of patentability"—a standard that currently allows 95% of all requests to be granted—to a standard requiring petitioners to present information showing that their challenge has a reasonable likelihood of success. Satisfaction of the new threshold will be assessed based on the information presented both in the petition for the proceeding and in the patent owner's response to the petition.
- **"Reasonably could have raised" estoppel applied to subsequent administrative proceedings.** A party that uses inter partes review is estopped from raising in a subsequent PTO proceeding (such as an ex parte reexam or inter partes review) any issue that it raised or reasonably could have raised in the inter partes review.
- **Repeal of the 1999 limit.** The limit on challenging patents issued before 1999 in inter partes reexamination is eliminated; all patents can be challenged in inter partes review.
- **Preponderance burden.** Petitioners bear the burden of proving that a patent is invalid by a preponderance of the evidence in inter partes review.
- **Time limits during litigation.** Parties who want to use inter partes review during litigation are required to seek a proceeding within 12 months of being served with a complaint alleging infringement of the patent, and are barred from seeking or maintaining an inter partes review if they file an action for a declaratory judgment that the patent is invalid.
- **Discovery.** Parties may depose witnesses submitting affidavits or declarations and seek such discovery as the Patent Office determines is otherwise necessary in the interest of justice.
- **12- to 18-month deadline.** Inter partes review must be completed within 1 year of when the proceeding is instituted, except that the Office can extend this deadline by 6 months for good cause.
- **Oral hearing.** Each party has the right to request an oral hearing as part of an inter partes review.
- **Three-judge panels.** Inter partes reviews will be conducted before a panel of three APJs. Decisions will be appealed directly to the Federal Circuit.

The Act also creates a new post-grant opposition procedure that can be utilized during the first 12 months after the grant of a patent or issue of a reissue patent. Unlike reexamination proceedings, which provide 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, petitioners, real parties in interest, and their privies are precluded from improperly mounting multiple challenges to a patent or initiating challenges after filing a civil action challenging the validity a claim in the patent. Further, a final decision in a post-grant review process will prevent the petitioner, a real party in interest, or its privy from challenging any patent 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.

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, and updates the various appeals statutes.

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,[43] but the submitter is precluded from explaining why the

[43] *See* 35 C.F.R. § 1.99.

prior art was submitted or what its relevancy to the application might be.[44] Such restrictions decrease the value of the information to the examiner and may, as a result, deter such submissions.[45]

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 that they bring to the USPTO's attention.

Venue

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.[46] The USPTO currently resides in the Eastern District of Virginia. However, Congress inadvertently failed to make this change uniformly throughout the entire patent statute. As a result, certain sections of the patent statute (and one section of the trademark statute) continue to allow challenges to USPTO decisions to be brought in the District of Columbia, a place where the USPTO has not resided in decades.

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

Fee-setting authority

a) Agency fee setting 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.[47] History has shown that such a scheme does not allow the USPTO to respond promptly to the challenges that confront 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 recommendations 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 deci-

[44] *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.").

[45] *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).

[46] *See* 35 U.S.C. § 1(b).

[47] *See, e.g.,* 35 U.S.C. § 41.

sion 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.

b) "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.[48] 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 ensure 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 this even smaller group—the micro-entity—that includes only truly independent inventors. The Committee expects that the USPTO will make accommodations under its authority in recognition of the special status of micro-entities.

Supplemental examination

Patents are unenforceable and invalid if they are obtained through fraud. This concept is addressed in the "inequitable conduct" defense, which allows a defendant in an infringement suit to plead that the plaintiff patent-holder would not have received a patent but for misrepresentations made to the USPTO. Inequitable conduct requires proof of materiality as well as intent to deceive. These standards require courts and litigants to invest time and resources in determining the patent-holder's state of mind or intent when developing the invention and submitting the application. Critics of the inequitable conduct defense, including the National Academies and the Federal Trade Commission, argue that our patent system is hampered by provisions that require courts to divine the difficult-to-prove subjective intent of individuals in patent disputes. And most defendants reflexively plead inequitable conduct as a defense to infringement, prompting the Federal Circuit to label the practice a "plague" on the patent system.

The Act addresses the inequitable conduct doctrine by authorizing supplemental examination of a patent to correct errors or omissions in proceedings before the Office. Under this new procedure, information that was not considered or was inadequately considered or was incorrect can be presented to the Office. If the Office determines that the information does not present a substantial new question of patentability or that the patent is still valid, that information cannot later be used to hold the patent unenforceable or invalid on the basis for an inequitable-conduct attack in civil litigation.

[48] *See* 35 U.S.C. § 41(h).

Funding agreements

The Patent and Trademark Amendments Act of 1980 (commonly referred to as the Bayh-Dole Act)[49] granted universities, other nonprofit 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.[50] 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.[51]

The Senate Judiciary Committee 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.[52] Based on these concerns, the Act 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. Pursuant to the Act, 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.

Tax strategies deemed within the prior art

In recent years, the numbers of patents on tax-strategies have increased. Critics assert that it is not fair to permit patents on techniques used to satisfy a government mandate, such as compliance with the Internal Revenue Code.

Tax preparers, lawyers, and planners have a long history of sharing their knowledge regarding how to file returns, plan estates, and advise clients. The ability to interpret the tax law and implement such interpretations should remain in the public domain, available to all taxpayers and their advisors.

The Act mandates that tax strategies are deemed "insufficient to differentiate a claimed invention from the prior art." In other words, any future tax strategy will be considered indistinguishable from all other publicly available information that is relevant to a patent's claim of originality. Under the Act, however, protection (an exclusion) is made available for software that enables individuals to file their income tax returns or that assists them with managing

[49] P.L. 96–517.
[50] P.L. 98–620, § 501.
[51] 35 U.S.C. § 202(c)(7).
[52] *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).

their finances. The exclusion does not apply to that part of the software related to a tax strategy.

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.[53] 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.[54] 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 time of the invention may not be the best mode for practicing or using the invention years later.

In response to these concerns, the Act includes a provision that eliminates best mode as a basis for both invalidity and unenforceability defenses under § 282; other defenses are unaffected.

Marking

a) 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.[55] 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.[56] Failure to appropriately mark an article can preclude the recovery of damages until notice is effective.

The Act permits 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 pro-

[53] 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.

[54] Among those who have so argued are the 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.

[55] *See* 35 U.S.C. § 287.

[56] *See id.*

ducers 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.

b) False marking

The Federal Circuit's recent decision in *Forest Group, Inc. v. Bon Tool Co.,* 590 F.3d 1295 (Fed. Cir. 2009), which held that section 292's $500 fine is assessed for each product that is falsely marked, has created a surge in false-marking qui tam litigation. Though one might assume that section 292 actions are targeted at parties that assert fictitious patents in order to deter competitors, such a scenario is almost wholly unknown to false-marking litigation. False-marking suits are almost always based on allegations that a valid patent that did cover the product has expired, but the manufacturer continued to sell products stamped with the patent; or that an existing patent used to mark products is invalid or unenforceable; or that an existing and valid patent's claims should not be construed to cover the product in question.

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

To address the recent surge in litigation, the bill replaces the qui tam remedy for false marking with a new action that allows a party that has suffered a competitive injury as a result of such marking to seek compensatory damages. The United States would be allowed to seek the $500-per-article fine, and competitors may recover in relation to actual injuries that they have suffered as a result of false marking, but the bill would eliminate litigation brought by unrelated, private third parties.

Advice of Counsel

The Act includes a new provision that bars courts and juries from drawing an adverse inference from an accused infringer's failure to obtain opinion of counsel as to infringement or his failure to waive privilege and disclose such an opinion. Section 298 of title 35 is designed to protect attorney-client privilege and to reduce pressure on accused infringers to obtain opinions of counsel for litigation purposes. It reflects a policy choice that the probative value of this type of evidence is outweighed by the harm that coercing a waiver of attorney-client privilege inflicts on the attorney-client relationship. Section 298 applies to findings of both willfulness and intent to induce infringement—and thus legislatively abrogates the Federal Circuit's decision in *Broadcom Corp. v. Qualcomm Inc.,* 543 F.3d 683, 699 (Fed. Cir. 2008).

Transitional program for covered business method patents

A number of patent observers believe the issuance of poor business-method patents during the late 1990's through the early 2000's led to the patent "troll" lawsuits that compelled the Committee to launch the patent reform project 6 years ago. At the time, the USPTO lacked a sufficient number of examiners with expertise in the relevant art area. Compounding this problem, there was a dearth of available prior art to assist examiners as they reviewed business method applications. Critics also note that most countries do not grant patents for business methods.

The Act responds to the problem by creating a transitional program 1 year after enactment of the bill to implement a provisional post-grant proceeding for review of the validity of any business method patent. In contrast to the era of the late 1990's-early 2000's, examiners will review the best prior art available. A petition to initiate a review will not be granted unless the petitioner is first sued for infringement or is accused of infringement. The program otherwise generally functions on the same terms as other post-grant proceedings initiated pursuant to the bill. Any party may request a stay of a civil action if a related post-grant proceeding is granted. The program sunsets after 10 years, which ensures that patent holders cannot delay filing a lawsuit over a shorter time period to avoid reevaluation under the transitional program.

Jurisdictional and procedural matters

a) State court jurisdiction and the US Court of Appeals for the Federal Circuit

The US district courts area given original jurisdiction to hear patent cases,[57] while the US Court of Appeals for the Federal Circuit adjudicates all patent appeals.[58] The Supreme Court ruled in 2002,[59] however, that patent counterclaims do not give the Federal Circuit appellate jurisdiction over a case.

The Act clarifies the jurisdiction of the US district courts and stipulates that the US Court of Appeals for the Federal Circuit has jurisdiction over appeals involving *compulsory* patent counterclaims. The legislative history of this provision, which we reaffirm and adopt as our own, appears in the Committee Report accompanying H.R. 2955 from the 109th Congress,[60] which the Committee reported favorably to the House on April 5, 2006.

b) Joinder

The Act also addresses problems occasioned by the joinder of defendants (sometimes numbering in the dozens) who have tenuous connections to the underlying disputes in patent infringement suits.

The Act amends chapter 29 of the Patent Act by creating a new § 299 that addresses joinder under Rule 20 and consolidation of trials under Rule 42. Pursuant to the provision, parties who are accused infringers in most patent suits may be joined as defendants

[57] 28 USC § 1338.
[58] 28 USC § 1295.
[59] *Holmes Group, Inc., v. Vornado Air Circulation Systems, Inc.* 535 U.S. 826 (2002).
[60] H. Rep. 109–405.

or counterclaim defendants only if: (1) relief is asserted against the parties, jointly, severally, or in the alternative, arising out of the same transaction regarding the manufacture, use, or importation of the accused product or process; and (2) questions of fact common to all of the defendants will arise in the action. New § 299 also clarifies that joinder will not be available if it based solely on allegations that a defendant has infringed the patent(s) in question.[61]

Technical amendments

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

Travel expenses and payment of administrative judges

The USPTO Director is authorized to conduct programs or exchanges pertaining to intellectual property law and protection "domestically and throughout the world." The House bill clarifies that this authority includes expending funds to cover the subsistence and travel expenses of non-Federal employees who attend these programs.

The House bill also clarifies that the Director may fix the pay for administrative patent judges and administrative trademark judges under the new Patent Trial and Appeal Board set forth in Section 6 of the bill.

Patent and Trademark Office funding

The USPTO is a fee-funded agency. The revenue it collects from fees imposed on inventors and trademark filers is deposited in a special USPTO appropriations account in the Treasury. To obtain funding for its operations, the agency must request the revenue back from congressional appropriators. Since the early 1990's, however, more than $800 million has been diverted from the agency and spent on non-USPTO initiatives.

The Committee believes the USPTO could operate more efficiently and productively if the agency had full access to all of its fee-generated revenue. The House bill therefore creates a USPTO revolving fund within the Treasury that allows the agency to keep all of the funds it raises until expended.

The provision also requires the Director to submit an annual spending plan as well as an annual year-end report to the House and Senate Appropriations and Judiciary Committees.

Satellite offices

The USPTO is conducting a pilot to create and operate a new satellite office located in Detroit. The bill requires the Director to establish three other satellite offices within a 3-year window, subject to available resources. The legislation includes criteria that must be invoked when selecting the new sites.

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[61] Section 299 legislatively abrogates the construction of Rule 20(a) adopted in *MyMail, Ltd. v. America Online, Inc.*, 223 F.R.D. 455 (E.D. Tex. 2004); *Sprint Communications Co. v. Theglobe.com, Inc.*, 233 F.R.D. 615 (D. Kan. 2006); *Adrain v. Genetec Inc.*, 2009 WL3063414 (E.D. Tex. September 22, 2009); *Better Educ. Inc. v. Einstruction Corp.*, 2010 WL 918307 (E.D. Tex. March 10, 2010); *Mannatech, Inc. v. Country Life,* LLC, 2010 WL 2944574 (N.D. Tex. July 26, 2010); *Alford Safety Services, Inc., v. Hot-Hed, Inc.*, 2010 WL 3418233 (E.D. La. August 24, 2010); and *Eolas Technologies, Inc. v. Adobe Systems, Inc.*, 2010 WL 3835762 (E.D. Tex. September 28, 2010)—effectively conforming these courts' jurisprudence to that followed by a majority of jurisdictions. *See generally Rudd v. Lux Products Corp.*, 2011 WL 148052 (N.D. Ill. January 12, 2011).

Designation of Detroit satellite office

The House and Senate bills contain a provision that designates the PTO satellite office in Detroit as the "Elijah J. McCoy United States Patent and Trademark Office." Elijah McCoy was an African-Canadian inventor who spent much of his life in Michigan and earned 57 US patents. His work on an automatic lubricator to oil railroad steam engines gave rise to the expression, "the real McCoy."

Patent Ombudsman Program for small business concerns

The Act requires the USPTO Director to establish a Patent Ombudsman Program to provide support and services regarding patent filings to small business concerns. The authorization is subject to available resources.

Priority examination for technologies important to American competitiveness

The Act stipulates that the USPTO may promulgate regulations, not inconsistent with law, that prioritize examination of applications for products, processes, or technologies that are important to the national economy or national competitiveness. This may be done without recovering the aggregate extra cost of providing the prioritization.

Calculation of 60-day period for application of patent term extension

The USPTO has inconsistently applied "counting" rules that are imposed on patent holders who must submit documents to the agency within statutory time periods for consideration of additional patent term under § 156 of the Patent Act. The Act clarifies that the agency should impose a "business-day" construction for application to § 156, consistent with recent case law on the matter [62].

Study on implementation

The Act requires the USPTO Director to conduct a study regarding the implementation of the legislation and on such other aspects of Federal patent policies and practices with respect to patent rights, innovation in the United States, competitiveness of US markets, access by small business to capital and investment, and such other issues as the Director deems appropriate. The study must be completed within 4 years and the results submitted to the House and Senate Committees on the Judiciary.

Pro bono program

The Committee acknowledges the importance of individuals and small businesses to the patent system and our national culture of innovation. Consistent with this sentiment, the Act requires the USPTO Director to support intellectual property law associations across the United States to establish pro bono programs to assist under-resourced independent inventors and businesses.

[62] *The Medicines Co. v. Kappos, et. al.,* 10–CV–286 (E.D. Va. August 3, 2010).