To amend title 35, United States Code, to provide for patent reform.

IN THE SENATE OF THE UNITED STATES

APRIL 18, 2007

Mr. LEAHY (for himself, Mr. Hatch, Mr. Schumer, Mr. Cornyn, Mr. Whitehouse, Mr. Craig, Mr. Crapo, Mr. Bennett, Mr. Salazar, and Mr. Smith) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

JANUARY 24, 2008

Reported by Mr. Leahy, with an amendment
[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend title 35, United States Code, to provide for patent reform.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

4 (a) SHORT TITLE.--This Act may be cited as the

5 “Patent Reform Act of 2007”.

Calendar No. 563
110TH CONGRESS
2D Session

S. 1145

[Report No. 110–259]
(b) Table of Contents.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Reference to title 35, United States Code.
Sec. 3. Right of the first inventor to file.
Sec. 4. Inventor's oath or declaration.
Sec. 5. Right of the inventor to obtain damages.
Sec. 6. Post-grant procedures and other quality enhancements.
Sec. 7. Definitions; patent trial and appeal board.
Sec. 8. Study and report on reexamination proceedings.
Sec. 9. Submissions by third parties and other quality enhancements.
Sec. 10. Venue and jurisdiction.
Sec. 11. Regulatory authority.
Sec. 12. Technical amendments.
Sec. 13. Effective date; rule of construction.

SEC. 2. REFERENCE TO TITLE 35, UNITED STATES CODE.

Whenever in this Act a section or other provision is amended or repealed, that amendment or repeal shall be considered to be made to that section or other provision of title 35, United States Code.

SEC. 3. RIGHT OF THE FIRST INVENTOR TO FILE.

(a) Definitions.—Section 100 is amended by adding at the end the following:

"(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 the 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 'joint invention' means an invention resulting from the collaboration of inventive endeavors of two or more persons working toward the same end and producing an invention by their collective efforts.

(b) CONDITIONS FOR PATENTABILITY.—

(1) IN GENERAL.—Section 102 is amended to read as follows:

§102. Conditions for patentability; novelty

(a) NOVELTY; PRIOR ART.—A patent for a claimed invention may not be obtained if—
(1) the claimed invention was patented, described in a printed publication, or in public use or on sale—

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

(B) one 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 a 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 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 the applicable date under such subparagraph
(B), been publicly disclosed by the inventor or a joint inventor or others who obtained the subject matter disclosed directly or indirectly from the inventor, joint inventor, or applicant.

(2) DERIVATION 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; or

(B) 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 claimed invention was 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 two 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 one or more prior filed applications for patent, as of the filing date of the earliest such application that describes the subject matter.

(2) CONFORMING AMENDMENT.—The item relating to section 102 in the table of sections for chapter 10 is amended to read as follows:

"102. Conditions for patentability; novelty."

(c) CONDITIONS FOR PATENTABILITY; NON-OBSVIOUS SUBJECT MATTER.—Section 103 is amended to read as follows:

"§103. 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 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 pertains. Patentability shall not be
negated by the manner in which the invention was made.”.

(d) Repeal of Requirements for Inventions Made Abroad.—Section 104, and the item relating to
that section in the table of sections for chapter 10, are
repealed.

(e) Repeal of Statutory Invention Registration.—

(1) In General.—Section 157, and the item
relating to that section in the table of sections for
chapter 14, are repealed.

(2) Removal of Cross References.—Section
111(b)(8) is amended by striking “sections 115,
131, 135, and 157” and inserting “sections 131 and
135”.

(f) Earlier Filing Date for Inventor and
Joint Inventor.—Section 120 is amended by striking
“which is filed by an inventor or inventors named” and
inserting “which names an inventor or joint inventor”.

(g) Conforming Amendments.—

(1) Right of Priority.—Section 172 is
amended by striking “and the time specified in sec-
tion 102(d)”.

(2) Limitation on Remedies.—Section
287(c)(4) is amended by striking “the earliest effec-
tive filing date of which is prior to” and inserting “which has an effective filing date before”.

(3) INTERNATIONAL APPLICATION DESIGNATING THE UNITED STATES: EFFECT.—Section 363 is amended by striking “except as otherwise provided in section 102(e) of this title”.

(4) PUBLICATION OF INTERNATIONAL APPLICATION: EFFECT.—Section 374 is amended by striking “sections 102(e) and 154(d)” and inserting “section 154(d)”.

(5) PATENT ISSUED ON INTERNATIONAL APPLICATION: EFFECT.—The second sentence of section 375(a) is amended by striking “Subject to section 102(e) of this title, such” and inserting “Such”.

(6) LIMIT ON RIGHT OF PRIORITY.—Section 119(a) is amended by striking “but no patent shall be granted” and all that follows through “one year prior to such filing”.

(7) INVENTIONS MADE WITH FEDERAL ASSISTANCE.—Section 202(e) is amended—

(A) in paragraph (2)—

(i) by striking “publication, on sale, or public use,” and all that follows through “obtained in the United States” and inserting “the 1-year period referred to in
section 102(a) would end before the end of 
that 2-year period”; and
(ii) by striking “the statutory” and 
inserting “that 1-year”; and
(B) in paragraph (3), by striking “any 
statutory bar date that may occur under this 
title due to publication, on sale, or public use” 
and inserting “the expiration of the 1-year pe-
period referred to in section 102(a)”.

(h) REPEAL OF INTERFERING PATENT REMEDIES.— 
Section 291, and the item relating to that section in the 
table of sections for chapter 29, are repealed.

(i) ACTION FOR CLAIM TO PATENT ON DERIVED IN-
VENTION.—Section 135(a) is amended to read as follows:

“(a) Dispute Over Right to Patent.—

“(1) Institution of derivation pro-
cceeding.—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 
early applicant derived the claimed invention from 
the applicant requesting the proceeding and, without 
authorization, filed an application claiming such in-
vention. 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 101, the Director shall institute a derivation proceeding for the purpose of determining which applicant is entitled to a patent.

(2) REQUIREMENTS.—A proceeding under this subsection may not be commenced unless the party requesting the proceeding has filed an application that was filed not later than 18 months after the effective filing date of the application or patent deemed to interfere with the subsequent application or patent.

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

(A) shall determine the question of the right to patent;

(B) in appropriate circumstances, may correct the naming of the inventor in any application or patent at issue; and
shall issue a final decision on the right to patent.

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 that filed the earlier application.

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 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 Patent and Trademark Office.

ELIMINATION OF REFERENCES TO INTERFERENCES.—(1) Sections 6, 41, 134, 141, 145, 146, 154, 305, and 314 are each amended by striking “Board of
Patent Appeals and Interferences” each place it appears and inserting “Patent Trial and Appeal Board”.

(2) Sections 141, 146; and 154 are each amended—

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

and

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

(3) The section heading for section 134 is amended to read as follows:

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

(4) The section heading for section 135 is amended to read as follows:

“§ 135. Derivation proceedings”.

(5) The section heading for section 146 is amended to read as follows:

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

(6) Section 154(b)(1)(C) is amended by striking “INTERFERENCES” and inserting “DERIVATION PROCEEDINGS”.

(7) The item relating to section 6 in the table of sections for chapter 1 is amended to read as follows:

“§ 6. Patent Trial and Appeal Board.”
(8) The items relating to sections 134 and 135 in the table of sections for chapter 12 are amended to read as follows:

"134. Appeal to the Patent Trial and Appeal Board.
135. Derivation proceedings."

(9) The item relating to section 146 in the table of sections for chapter 13 is amended to read as follows:

"146. Civil action in case of derivation proceeding."

(10) CERTAIN APPEALS.—Subsection 1295(a)(4)(A) of title 28, United States Code, is amended to read as follows:

"(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to patent applications, 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 2007), 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;"

SEC. 4. INVENTOR'S OATH OR DECLARATION.

(a) INVENTOR'S OATH OR DECLARATION.—
(1) In general.—Section 115 is amended to read as follows:

"§ 115. Inventor's oath or declaration

(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 363, or 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 sub-
stitute statement under paragraph (1) is permitted
with respect to any individual who—

"(A) is unable to file the oath or declara-
tion under subsection (a) because the indi-
vidual—

"(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.

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 (e) in the assignment executed by the individual, in lieu of filing such statements separately.

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).

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 require-
ments of subsection (a) was executed by the indi-
vidual and was filed in connection with the earlier-
filed application;

"(2) a substitute statement meeting the re-
quirements 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 re-
corded in connection with the earlier-filed applica-
tion.

"(h) SUPPLEMENTAL AND CORRECTED STATE-
MENTS; FILING ADDITIONAL STATEMENTS.—

"(1) IN GENERAL.—Any person making a state-
ment required under this section may withdraw, re-
place, or otherwise correct the statement at any
time. If a change is made in the naming of the in-
ventor requiring the filing of 1 or more additional
statements under this section, the Director shall es-
tablish 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).

(2) Relationship to divisional applications.—Section 121 is amended by striking “If a divisional application” and all that follows through “inventor.”

(3) Requirements for nonprovisional applications.—Section 111(a) is amended—

(A) in paragraph (2)(C), by striking “by the applicant” and inserting “or declaration”;

(B) in the heading for paragraph (3), by striking “AND OATH”; and
(C) by striking "and oath" each place it appears.

(4) CONFORMING AMENDMENT.—The item relating to section 115 in the table of sections for chapter 10 is amended to read as follows:

"115. Inventor's oath or declaration."

(b) FILING BY OTHER THAN INVENTOR.—Section 118 is amended to read as follows:

"§ 118. Filing by other than inventor

"A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent. 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.".

(c) SPECIFICATION.—Section 112 is amended—

(1) in the first paragraph—

(A) by striking ""The specification"" and inserting ""(a) In GENERAL—The specification";

and
(B) by striking "of carrying out his invention" and inserting "or joint inventor of carrying out the invention"; and

(2) in the second paragraph—

(A) by striking "The specifications" and inserting "(b) CONCLUSION.—The specifications"; and

(B) by striking "applicant regards as his invention" and inserting "inventor or a joint inventor regards as the invention";

(3) in the third paragraph, by striking "A claim" and inserting "(c) FORM.—A claim";

(4) in the fourth paragraph, by striking "Subject to the following paragraph," and inserting "(d) REFERENCE IN DEPENDENT FORMS.—Subject to subsection (e);"

(5) in the fifth paragraph, by striking "A claim" and inserting "(e) REFERENCE IN MULTIPLE DEPENDENT FORM.—A claim"; and

(6) in the last paragraph, by striking "An element" and inserting "(f) ELEMENT IN CLAIM FOR A COMBINATION.—An element".

SEC. 5. RIGHT OF THE INVENTOR TO OBTAIN DAMAGES.

(a) DAMAGES.—Section 284 is amended—

(1) in the first paragraph—
(A) by striking "Upon" and inserting "(a)"

AWARD OF DAMAGES.—

"(1) IN GENERAL.—Upon";

(B) by aligning the remaining text accordingly; and

(C) by adding at the end the following:

"(2) RELATIONSHIP OF DAMAGES TO CONTRIBUTIONS OVER PRIOR ART.—The court shall conduct an analysis to ensure that a reasonable royalty under paragraph (1) is applied only to that economic value properly attributable to the patent’s specific contribution over the prior art. In a reasonable royalty analysis, the court shall identify all factors relevant to the determination of a reasonable royalty under this subsection, and the court or the jury, as the case may be, shall consider only those factors in making the determination. The court shall exclude from the analysis the economic value properly attributable to the prior art, and other features or improvements, whether or not themselves patented, that contribute economic value to the infringing product or process.

"(3) ENTIRE MARKET VALUE.—Unless the claimant shows that the patent’s specific contribution over the prior art is the predominant basis for
market demand for an infringing product or process; damages may not be based upon the entire market value of that infringing product or process:

“(4) OTHER FACTORS.—In determining damages, the court may also consider, or direct the jury to consider, the terms of any nonexclusive marketplace licensing of the invention, where appropriate, as well as any other relevant factors under applicable law.”

(2) by amending the second undesignated paragraph to read as follows:

“(b) WILLFUL INFRINGEMENT —

“(1) INCREASED DAMAGES.—A court that has determined that the infringer has willfully infringed a patent or patents may increase the damages up to three times the amount of 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 presents clear and convincing evidence that—

“(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 one 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) A court may not find that an infringer has willfully infringed a patent under paragraph (2) for any period
of time during which the infringer had an informed
good faith belief that the patent was invalid or unen-
forceable, or would not be infringed by the conduct
later shown to constitute infringement of the patent.

"(B) An informed good faith belief within the
meaning of subparagraph (A) may be established
by—

"(i) reasonable reliance on advice of coun-
sel;

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

"(iii) other evidence a court may find suffi-
cient to establish such good faith belief.

"(C) 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 in-
fringed by the infringer, a patentee may not plead
and a court may not determine that an infringer has
willfully infringed a patent. The court’s determi-
tion of an infringer’s willfulness shall be made without a jury.”; and

(3) in the third undesignated paragraph, by striking “The court” and inserting “(e) EXPERT
TESTIMONY.—The court.”.

(b) DEFENSE TO INFRINGEMENT BASED ON EARLIER INVENTOR.—Section 273 of title 35, United States
Code, is amended—

(1) in subsection (a)—

(A) in paragraph (1)—

(i) by striking “of a method”; and

(ii) by striking “review period;” and inserting “review period; and”;

(B) in paragraph (2)(B), by striking the semicolon at the end and inserting a period;

and

(C) by striking paragraphs (3) and (4);

(2) in subsection (b)—

(A) in paragraph (1)—

(i) by striking “for a method”; and

(ii) by striking “at least 1 year before the effective filing date of such patent, and” and all that follows through the pe-

riod and inserting “and commercially used; or made substantial preparations for com-
mercial use of, the subject matter before the effective filing date of the claimed invention.'';

(B) in paragraph (2)—

(i) by striking "The sale or other disposition of a useful end result produced by a patented method'' and inserting "The sale or other disposition of subject matter that qualifies for the defense set forth in this section''; and

(ii) by striking "a defense under this section with respect to that useful end result'' and inserting "such defense''; and

(C) in paragraph (3)—

(i) by striking subparagraph (A); and

(ii) by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively;

(3) in paragraph (7), by striking "of the patent'' and inserting "of the claimed invention''; and

(4) by amending the heading to read as follows:
"§ 273. Special defenses to and exemptions from infringement."

(a) Table of Sections.—The item relating to section 273 in the table of sections for chapter 28 is amended to read as follows:

"273. Special defenses to and exemptions from infringement."

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

SEC. 6. POST-GRANT PROCEDURES AND OTHER QUALITY ENHANCEMENTS.

(a) Reexamination.—Section 303(a) is amended to read as follows:

"(a) Within 3 months after the owner of a patent files 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 and 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 cited by or
to the Office or considered by the Office.’’.

(b) REEXAMINATION.—Section 315(e) is amended by
striking ‘‘or could have raised’’.

(c) REEXAMINATION PROHIBITED AFTER DISTRICT
COURT DECISION.—Section 317(b) is amended—

(1) in the subsection heading, by striking
‘‘FINAL DECISION’’ and inserting ‘‘DISTRICT COURT
DECISION’’; and

(2) by striking ‘‘Once a final decision has been
entered’’ and inserting ‘‘Once the judgment of the
district court has been entered’’.

(d) EFFECTIVE DATES.—Notwithstanding any other
provision of law, sections 311 through 318 of title 35,
United States Code, as amended by this Act, shall apply
to any patent that issues before, on, or after the date of
enactment of this Act from an original application filed
on any date.

(e) POST-GRANT OPPOSITION PROCEDURES.—

(1) IN GENERAL.—Part III is amended by add-
ing at the end the following new chapter:

‘‘CHAPTER 32—POST-GRANT REVIEW
PROCEDURES

Sec.
321. Petition for post-grant review.
322. Timing and bases of petition.
323. Requirements of petition.
324. Prohibited filings.’’


§ 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 paragraph (2) or (3) of section 282(b) (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 under this chapter pursuant to a cancellation petition filed under section 321 only if—

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

(2)(A) the petitioner establishes a substantial reason to believe that the continued existence of the
31 challenged claim in the petition causes or is likely to
cause the petitioner significant economic harm; or

(B) the petitioner has received notice from the
patent holder alleging infringement by the petitioner
of the patent; or

(3) 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 peti-
tioner; and

(3) the petition sets forth in writing the basis
for the cancellation, identifying each claimchal-
gen and providing such information as the Direc-
tor may require by regulation, and includes copies of
patents and printed publications that the cancella-
tion petitioner relies upon in support of the petition;
and

(4) the petitioner provides copies of those doc-
uments 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 paragraph (1), (2), or (3) of section 322 if the petition for cancellation requesting the proceeding identifies the same cancellation petitioner and the same patent as a previous petition for cancellation filed under the same paragraph of section 322.

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

The cancellation petitioner shall file such additional information with respect to the petition as the Director may require. The Director may not authorize a post-grant review proceeding to commence unless the Director determines that the information presented provides sufficient grounds to proceed.

§ 326. Conduct of post-grant review proceedings

(a) In GENERAL.—The Director shall—

(1) prescribe regulations, in accordance with section 2(b)(2), establishing and governing post-grant review proceedings under this chapter and their relationship to other proceedings under this title;

(2) prescribe regulations setting forth the standards for showings of substantial reason to believe and significant economic harm under section 322(2) and sufficient grounds under section 325;
"(3) prescribe regulations establishing procedures for the submission of supplemental information after the petition for cancellation is filed; and

"(4) prescribe regulations 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:

"(b) POST-GANT 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 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;
“(4) may provide for protective orders governing the exchange and submission of confidential information; and

“(5) shall ensure that any information submitted by the patent owner in support of any amendment entered under section 328 is made available to the public as part of the prosecution history of the patent.

“(e) 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 authorized 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 1 motion to amend the patent in 1 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 with respect to 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 re-examination 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, or imported into the United States, anything patented by such new claim, or who made substantial preparations therefore, prior to issuance of a certificate under subsection (a) of this section.

§ 332. Relationship to other pending proceedings

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 before the effective date of the Patent Reform Act of 2007), derivation proceeding, or post-grant review proceeding, that is pending during a post-grant review proceeding, may proceed, including providing for stay, transfer, consolidation, or termination of any such proceeding.

"§ 333. Effect of decisions rendered in civil action on future post-grant review proceedings"

"If a final decision has been 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 311, which that party or the privies of that party raised or had actual knowledge of; and

"(2) the Director may not thereafter maintain a post-grant review proceeding previously requested by that party or the privies of that party on the basis of such grounds."
§ 334. Effect of final decision on future proceedings

(a) In General.—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 which 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; or

(4) assert the invalidity of any such claim, in any civil action arising in whole or in part under section 1338 of title 28.

(b) Extension of Prohibition.—If the final decision is the result of a petition for cancellation filed on the basis of paragraph (2) of section 322, the prohibition under this section shall extend to any ground which the cancellation petitioner raised during the post-grant review proceeding.

§ 335. Appeal

A party dissatisfied with the final determination of the Patent Trial and Appeal Board in a post-grant pro-
ceeding 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.”

(f) CONFORMING AMENDMENT.—The table of chapters for part III is amended by adding at the end the following:

"32. Post-Grant Review Proceedings ........................................ 321."

(g) REGULATIONS AND EFFECTIVE DATE.—

(1) REGULATIONS.—The Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (in this subsection referred to as the “Director”) shall, not later than the date that is 1 year after the date of the enactment of this Act, issue regulations to carry out chapter 32 of title 35, United States Code, as added by subsection (e) of this section

(2) APPLICABILITY.—The amendments made by subsection (e) shall take effect on the date that is 1 year after the date of the enactment of this Act and shall apply to patents issued before, on, or after that date, except that, in the case of a patent issued before that date, a petition for cancellation under section 324 of title 35, United States Code, may be filed only if a circumstance described in paragraph
(2), (3), or (4) of section 322 of title 35, United States Code, applies to the petition.

(3) Pending Interferences.—The Director shall determine the procedures under which interferences commenced before the effective date under paragraph (2) are to proceed, including whether any such interference is to be dismissed without prejudice to the filing of a cancellation petition for a post-grant opposition proceeding under chapter 32 of title 35, United States Code, or is to proceed as if this Act had not been enacted. The Director shall include such procedures in regulations issued under paragraph (1).

SEC. 7. DEFINITIONS; PATENT TRIAL AND APPEAL BOARD.

(a) Definitions.—Section 100 (as amended by this Act) is further amended—

(1) in subsection (e), by striking "or inter partes reexamination under section 311"; and

(2) by adding at the end the following:

"(k) The term "cancellation petitioner" means the real party in interest requesting cancellation of any claim of a patent under chapter 31 of this title and the privies of the real party in interest.".

(b) Patent Trial and Appeal Board.—Section 6 is amended to read as follows:
§ 6. Patent Trial and Appeal Board

(a) Establishment and Composition.—There shall be in the Office a Patent Trial and 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 Director. 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.—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 of examiners upon patents in reexamination proceedings under chapter 30; and

(3) determine priority and patentability of invention in derivation proceedings under subsection 135(a); and
(4) conduct post-grant opposition proceedings under chapter 32.

Each appeal and derivation 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.

SEC. 8. STUDY AND REPORT ON REEXAMINATION PROCEEDINGS.

The Under Secretary of Commerce for Intellectual Property and Director of the Patent and Trademark Office shall, not later than 3 years after the date of the enactment of this Act—

(1) conduct a study of the effectiveness and efficiency of the different forms of proceedings available under title 35, United States Code, for the re-examination of patents; and

(2) submit to the Committees on the Judiciary of the House of Representatives and the Senate a report on the results of the study, including any of the Director's suggestions for amending the law, and
any other recommendations the Director has with respect to patent reexamination proceedings.

SEC. 9. SUBMISSIONS BY THIRD PARTIES AND OTHER QUALITY ENHANCEMENTS.

(a) Publication.—Section 122(b)(2) is amended—

(1) by striking subparagraph (B); and

(2) in subparagraph (A)—

(A) by striking “(A) An application” and inserting “An application”; and

(B) by redesignating clauses (i) through (iv) as subparagraphs (A) through (D), respectively.

(b) Preissuance Submissions by Third Parties.—Section 122 is amended by adding at the end the following:

“(c) 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—

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(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 submitter affirming that the submission was made in compliance with this section.”.

SEC. 10. VENUE AND JURISDICTION.

(a) Venue for Patent Cases.—Section 1400 of title 28, United States Code, is amended by striking subsection (b) and inserting the following:
Any civil action arising under any Act of Congress relating to patents, other than an action for declaratory judgment or an action seeking review of a decision of the Patent Trial and Appeal Board under chapter 13 of title 35, may be brought only—

(1) in the judicial district where either party resides; or

(2) in the judicial district where the defendant has committed acts of infringement and has a regular and established place of business.

Notwithstanding section 1391(c) of this title, for purposes of venue under subsection (b), a corporation shall be deemed to reside in the judicial district in which the corporation has its principal place of business or in the State in which the corporation is incorporated.

(b) INTERLOCUTORY APPEALS.—Subsection (c)(2) of section 1292 of title 28, United States Code, is amended by adding at the end the following:

(3) of an appeal from an interlocutory order or decree determining construction of claims in a civil action for patent infringement under section 271 of title 35.

Application for an appeal under paragraph (3) shall be made to the court within 10 days after entry of the order or decree, and proceedings in the district court under such
paragraph shall be stayed during pendency of the appeal.

SEC. 11. REGULATORY AUTHORITY.

Section 3(a) is amended by adding at the end the following:

"(5) REGULATORY AUTHORITY.—In addition to the authority conferred by other provisions of this title, the Director may promulgate such rules, regulations, and orders that the Director determines appropriate to carry out the provisions of this title or any other law applicable to the United States Patent and Trademark Office or that the Director determines necessary to govern the operation and organization of the Office."

SEC. 12. TECHNICAL AMENDMENTS.

(a) JOINT INVENTIONS.—Section 116 is amended—

(1) in the first paragraph, by striking "When" and inserting "(a) JOINT INVENTIONS.—When";

(2) in the second paragraph, by striking "If a joint inventor" and inserting "(b) OMITTED INVENTOR.—If a joint inventor"; and

(3) in the third paragraph, by striking "Whenever" and inserting "(c) CORRECTION OF ERRORS IN APPLICATION.—Whenever".
(b) FILING OF APPLICATION IN FOREIGN COUNTRY.—Section 184 is amended—

(1) in the first paragraph, by striking "Except when" and inserting "(a) FILING IN FOREIGN COUNTRY.—Except when";

(2) in the second paragraph, by striking "The term" and inserting "(b) APPLICATION.—The term"; and

(3) in the third paragraph, by striking "The scope" and inserting "(c) SUBSEQUENT MODIFICATIONS, AMENDMENTS, AND SUPPLEMENTS.—The scope".

(c) REISSUE OF DEFECTIVE PATENTS.—Section 254 is amended—

(1) in the first paragraph, by striking "Whenever" and inserting "(a) IN GENERAL.—Whenever";

(2) in the second paragraph, by striking "The Director" and inserting "(b) MULTIPLE REISSUED PATENTS.—The Director";

(3) in the third paragraph, by striking "The provision" and inserting "(c) APPLICABILITY OF THIS TITLE.—The provisions"; and

(4) in the last paragraph, by striking "No re-issued patent" and inserting "(d) REISSUE PATENT
ENLARGING SCOPE OF CLAIMS.—No reissued patent.

(d) EFFECT OF REISSUE.—Section 253 is amended—

(1) in the first paragraph, by striking "Whenever" and inserting "(a) In General—Whenever"; and

(2) in the second paragraph, by striking "in like manner" and inserting "(b) ADDITIONAL DISCLAIMER OR DEDICATION.—In the manner set forth in subsection (a),".

(e) CORRECTION OF NAMED INVENTOR.—Section 256 is amended—

(1) in the first paragraph, by striking "Whenever" and inserting "(a) CORRECTION.—Whenever"; and

(2) in the second paragraph, by striking "The error" and inserting "(b) PATENT VALID IF ERROR CORRECTED.—The error".

(f) PRESUMPTION OF VALIDITY.—Section 282 is amended—

(1) in the first undesignated paragraph, by striking "A patent" and inserting "(a) In General.—A patent";
(2) in the second undesignated paragraph, by striking "The following" and inserting "(b) DEFENSES.—The following"; and

(3) in the third undesignated paragraph, by striking "In actions" and inserting "(c) NOTICE OF ACTIONS; ACTIONS DURING EXTENSION OF PATENT TERM.—In actions".

SEC. 13. EFFECTIVE DATE; RULE OF CONSTRUCTION.

(a) EFFECTIVE DATE.—Except as otherwise provided in this Act, the provisions of this Act shall take effect 12 months after the date of the enactment of this Act and shall apply to any patent issued on or after that effective date.

(b) CONTINUITY OF INTENT UNDER THE CREATE ACT.—The enactment of section 102(b)(3) of title 35, United States Code, under section (3)(b) of this Act is done with the same intent to promote joint research activities that was expressed, including in the legislative history, through the enactment of the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108–453; the "CREATE Act"); the amendments of which are stricken by section 3(e) of this Act. The United States Patent and Trademark Office shall administer section 102(b)(3) of title 35, United States Code, in a manner consistent with the legislative history of the CREATE Act.
that was relevant to its administration by the Patent and Trademark Office.

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Patent Reform Act of 2007”.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Right of the first inventor to file.
Sec. 3. Inventor’s oath or declaration.
Sec. 4. Right of the inventor to obtain damages.
Sec. 5. Post-grant procedures and other quality enhancements.
Sec. 6. Definitions; patent trial and appeal board.
Sec. 7. Submissions by third parties and other quality enhancements.
Sec. 8. Venue and jurisdiction.
Sec. 9. Patent and trademark office regulatory authority.
Sec. 10. Residency of Federal Circuit judges.
Sec. 11. Applicant quality submissions.
Sec. 12. Inequitable conduct.
Sec. 13. Authority of the Director of the Patent and Trademark Office to accept late filings.
Sec. 14. Limitation on damages and other remedies with respect to patents for methods in compliance with check imaging methods.
Sec. 15. Patent and Trademark Office funding.
Sec. 16. Technical amendments.
Sec. 17. Effective date; rule of construction.

SEC. 2. RIGHT OF THE FIRST INVENTOR TO FILE.

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

“(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 the 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 ‘joint invention’ means an invention resulting from the collaboration of inventive endeavors of 2 or more persons working toward the same end and producing an invention by their collective efforts.”.

(b) CONDITIONS FOR PATENTABILITY.—

(1) In general.—Section 102 of title 35, United States Code, is amended to read as follows:
§ 102. Conditions for patentability; novelty

“(a) NOVELTY; PRIOR ART.—A patent for a claimed invention may not be obtained if—

“(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 a 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 a 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 by the inventor or a joint inventor or others who obtained the subject matter disclosed, directly or indirectly, from the inventor or a joint inventor before the effective filing date of the application or patent set forth under subsection (a)(2); 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 EXCEP-
TION.—

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

“(i) the claimed invention was 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 per-
formance of experimental, developmental, or re-
search 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 sec-
tion 119, 365(a), or 365(b) or to claim the ben-
et 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.”.

(2) CONFORMING AMENDMENT.—The item relat-
ing to section 102 in the table of sections for chapter
10 of title 35, United States Code, is amended to read
as follows:

“102. Conditions for patentability; novelty.”.

(c) CONDITIONS FOR PATENTABILITY; NON-OBVIOUS
SUBJECT MATTER.—Section 103 of title 35, United States
Code, is amended to read as follows:
$103. 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 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 pertains. Patentability shall not be negated by the manner in which the invention was made.”.

(d) Repeal of Requirements for Inventions Made Abroad.—Section 104 of title 35, United States Code, and the item relating to that section in the table of sections for chapter 10 of title 35, United States Code, are repealed.

(e) Repeal of Statutory Invention Registration.—

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

(2) Removal of cross references.—Section 111(b)(8) of title 35, United States Code, is amended by striking “sections 115, 131, 135, and 157” and inserting “sections 131 and 135”.

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(f) **Earlier Filing Date for Inventor and Joint Inventor.**—Section 120 of title 35, United States Code, is amended by striking “which is filed by an inventor or inventors named” and inserting “which names an inventor or joint inventor”.

(g) **Conforming Amendments.**—

(1) **Right of Priority.**—Section 172 of title 35, United States Code, is amended by striking “and the time specified in section 102(d)”.

(2) **Limitation on Remedies.**—Section 287(c)(4) of title 35, United States Code, is amended by striking “the earliest effective filing date of which is prior to” and inserting “which has an effective filing date before”.

(3) **International Application Designating the United States: Effect.**—Section 363 of title 35, United States Code, is amended by striking “except as otherwise provided in section 102(e) of this title”.

(4) **Publication of International Application: Effect.**—Section 374 of title 35, United States Code, is amended by striking “sections 102(e) and 154(d)” and inserting “section 154(d)”.

(5) **Patent Issued on International Application: Effect.**—The second sentence of section 375(a)
of title 35, United States Code, is amended by strik-
ing “Subject to section 102(e) of this title, such” and
inserting “Such”.

(6) LIMIT ON RIGHT OF PRIORIT Y.—Section
119(a) of title 35, United States Code, is amended by
striking “; but no patent shall be granted” and all
that follows through “one year prior to such filing”.

(7) I NVENTIONS MADE WITH FEDERAL ASSIST-
ANCE.—Section 202(c) of title 35, United States Code,
is amended—

(A) in paragraph (2)—

(i) by striking “publication, on sale, or
public use,” and all that follows through
“obtained in the United States” and insert-
ing “the 1-year period referred to in section
102(a) would end before the end of that 2-
year period”; and

(ii) by striking “the statutory” and in-
serting “that 1-year”; and

(B) in paragraph (3), by striking “any
statutory bar date that may occur under this
title due to publication, on sale, or public use”
and inserting “the expiration of the 1-year pe-
riod referred to in section 102(a)”.
(h) **Repeal of Interfering Patent Remedies.**—

Section 291 of title 35, United States Code, and the item relating to that section in the table of sections for chapter 29 of title 35, United States Code, are repealed.

(i) **Action for Claim to Patent on Derived Invention.**—Section 135(a) of title 35, United States Code, is amended to read as follows:

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“(a) **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
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under section 101, 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 under this subsection, the Patent Trial and Appeal Board—

“(A) shall determine the question of the right to patent;

“(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 that filed the earlier application.

“(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, con-
stitute cancellation of the claims involved in the pat-
ent, and notice of such cancellation shall be endorsed
on copies of the patent distributed after such cancella-
tion by the United States Patent and Trademark Of-

cia.”.

(j) **Elimination of References to Inter-
ferences.**—(1) Sections 6, 41, 134, 141, 145, 146, 154,
305, and 314 of title 35, United States Code, are each
amended by striking “Board of Patent Appeals and Inter-
ferences” each place it appears and inserting “Patent Trial
and Appeal Board”.

(2) Sections 141, 146, and 154 of title 35, United
States Code, are each amended—

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

(B) by striking “interference” each additional
place it appears and inserting “derivation pro-
ceeding”.

(3) The section heading for section 134 of title 35,
United States Code, is amended to read as follows:
§ 134. Appeal to the Patent Trial and Appeal Board.

(4) The section heading for section 135 of title 35, United States Code, is amended to read as follows:

§ 135. Derivation proceedings.

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

§ 146. Civil action in case of derivation proceeding.

(6) Section 154(b)(1)(C) of title 35, United States Code, is amended by striking “INTERFERENCES” and inserting “DERIVATION PROCEEDINGS”.

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

“6. Patent Trial and Appeal Board.”.

(8) The items relating to sections 134 and 135 in the table of sections for chapter 12 of title 35, United States Code, are amended to read as follows:

“134. Appeal to the Patent Trial and Appeal Board.
135. Derivation proceedings.”.

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

“146. Civil action in case of derivation proceeding.”.

(10) CERTAIN APPEALS.—Section 1295(a)(4)(A) of title 28, United States Code, is amended to read as follows:

“(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office
with respect to patent applications, 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 2007), 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;”.

SEC. 3. INVENTOR’S OATH OR DECLARATION.

(a) Inventor’s Oath or Declaration.—

(1) In General.—Section 115 of title 35, United States Code, is amended to read as follows:

“§ 115. Inventor’s oath or declaration

“(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 363, or 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 pat-
ent shall execute an oath or declaration in connection with
the application.

“(b) REQUIRED STATEMENTS.—An oath or declare-
tion 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 speci-
fy by regulation.

“(2) PERMITTED CIRCUMSTANCES.—A substitute
statement under paragraph (1) is permitted with re-
spect 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 rep-
resenting the permitted basis for the filing of the
substitute statement in lieu of the oath or dec-
laration 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 as-
ignment 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) ACKNOWLEDGMENT OF PENALTIES.—Any declaration or statement filed pursuant to this section shall contain an acknowledgment 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.”.

(2) RELATIONSHIP TO DIVISIONAL APPLICATIONS.—Section 121 of title 35, United States Code, is amended by striking “If a divisional application” and all that follows through “inventor.”.

(3) REQUIREMENTS FOR NONPROVISIONAL APPLICATIONS.—Section 111(a) of title 35, United States Code, is amended—

(A) in paragraph (2)(C), by striking “by the applicant” and inserting “or declaration”;

(B) in the heading for paragraph (3), by striking “AND OATH”; and

(C) by striking “and oath” each place it appears.

(4) CONFORMING AMENDMENT.—The item relating to section 115 in the table of sections for chapter 10 of title 35, United States Code, is amended to read as follows:

“115. Inventor’s oath or declaration.”.

(b) FILING BY OTHER THAN INVENTOR.—Section 118 of title 35, United States Code, is amended to read as follows:
§ 118. Filing by other than inventor

“A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent. 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.”

(c) Specification.—Section 112 of title 35, United States Code, is amended—

(1) in the first paragraph—

(A) by striking “The specification” and inserting “(a) In General.—The specification”; and

(B) by striking “of carrying out his invention” and inserting “or joint inventor of carrying out the invention”; and

(2) in the second paragraph—

(A) by striking “The specifications” and inserting “(b) Conclusion.—The specifications”; and
(B) by striking “applicant regards as his
invention” and inserting “inventor or a joint in-
ventor regards as the invention”;
(3) in the third paragraph, by striking “A
claim” and inserting “(c) FORM.—A claim”;
(4) in the fourth paragraph, by striking “Subject
to the following paragraph,” and inserting “(d) REF-
ERENCE IN DEPENDENT FORMS.—Subject to sub-
section (e),”;
(5) in the fifth paragraph, by striking “A claim”
and inserting “(e) REFERENCE IN MULTIPLE DE-
PENDENT FORM.—A claim”; and
(6) in the last paragraph, by striking “An ele-
ment” and inserting “(f) ELEMENT IN CLAIM FOR A
COMBINATION.—An element”.

SEC. 4. RIGHT OF THE INVENTOR TO OBTAIN DAMAGES.

(a) DAMAGES.—Section 284 of title 35, United States
Code, is amended to read as follows:

“§ 284. Damages
“(a) IN GENERAL.—Upon finding for the claimant the
court shall award the claimant damages adequate to com-
pensate 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, subject to the provisions of this section.
“(b) Determination of Damages; Evidence Considered; Procedure.—The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances. The admissibility of such testimony shall be governed by the rules of evidence governing expert testimony. When the damages are not found by a jury, the court shall assess them.

“(c) Standard for Calculating Reasonable Royalty.—

“(1) In general.—The court shall determine, based on the facts of the case and after adducing any further evidence the court deems necessary, which of the following methods shall be used by the court or the jury in calculating a reasonable royalty pursuant to subsection (a). The court shall also identify the factors that are relevant to the determination of a reasonable royalty, and the court or jury, as the case may be, shall consider only those factors in making such determination.

“(A) Entire Market Value.—Upon a showing to the satisfaction of the court that the claimed invention’s specific contribution over the prior art is the predominant basis for market demand for an infringing product or process, dam-
ages may be based upon the entire market value
of that infringing product or process.

“(B) Established royalty based on
marketplace licensing.—Upon a showing to
the satisfaction of the court that the claimed in-
vention has been the subject of a nonexclusive li-
cense for the use made of the invention by the in-
fringer, to a number of persons sufficient to indi-
cate a general marketplace recognition of the rea-
sonableness of the licensing terms, if the license
was secured prior to the filing of the case before
the court, and the court determines that the in-
fringer’s use is of substantially the same scope,
volume, and benefit of the rights granted under
such license, damages may be determined on the
basis of the terms of such license. Upon a show-
ing to the satisfaction of the court that the
claimed invention has sufficiently similar non-
infringing substitutes in the relevant market,
which have themselves been the subject of such
nonexclusive licenses, and the court determines
that the infringer’s use is of substantially the
same scope, volume, and benefit of the rights
granted under such licenses, damages may be de-
terminated on the basis of the terms of such licenses.

“(C) VALUATION CALCULATION.—Upon a determination by the court that the showings required under subparagraphs (A) and (B) have not been made, the court shall conduct an analysis to ensure that a reasonable royalty is applied only to the portion of the economic value of the infringing product or process properly attributable to the claimed invention’s specific contribution over the prior art. In the case of a combination invention whose elements are present individually in the prior art, the contribution over the prior art may include the value of the additional function resulting from the combination, as well as the enhanced value, if any, of some or all of the prior art elements as part of the combination, if the patentee demonstrates that value.

“(2) ADDITIONAL FACTORS.—Where the court determines it to be appropriate in determining a reasonable royalty under paragraph (1), the court may also consider, or direct the jury to consider, any other relevant factors under applicable law.
“(d) **Inapplicability to Other Damages Analysis.**—The methods for calculating a reasonable royalty described in subsection (c) shall have no application to the calculation of an award of damages that does not necessitate the determination of a reasonable royalty as a basis for monetary relief sought by the claimant.

“(e) **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 presents clear and convincing evidence that—

“(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.—A court may not find that an infringer has willfully infringed a patent under paragraph (2) 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 con-
duct later shown to constitute infringement of
the patent.

“(B) GOOD FAITH ESTABLISHED.—An in-
formed good faith belief within the meaning of
subparagraph (A) may be established by—

“(i) reasonable reliance on advice of
counsel;

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

“(iii) other evidence a court may find
sufficient to establish such good faith belief.

“(C) RELEVANCE OF NOT PRESENTING CER-
TAIN EVIDENCE.—The decision of the infringer
not to present evidence of advice of counsel is not
relevant to a determination of willful infringe-
ment 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 will-
fully infringed a patent. The court’s determination of
an infringer’s willfulness shall be made without a
jury.”.
(b) Report to Congressional Committees.—

(1) In general.—Not later than 2 years after the date of enactment of this Act, the Director shall report to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives, the findings and recommendations of the Director on the operation of prior user rights in selected countries in the industrialized world. The report shall include the following:

(A) A comparison between patent laws of the United States and the laws of other industrialized countries, including the European Union, Japan, Canada, and Australia.

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

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

(D) An analysis of the effect of prior user rights, if any, on small businesses, universities, and individual inventors.
(E) An analysis of legal and constitutional issues, if any, that arise from placing trade secret law in patent law.

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

(c) Limitation on Damages and Other Remedies; Marking and Notice.—Section 287(a) of title 35, United States Code, is amended to read as follows:

“(a)(1) 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 when, from the character of the article, this cannot be done, by fixing to it, or to the package wherein 1 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 occ-
curing after such notice. Filing of an action for infringement shall constitute such notice.

“(2) In the case of a patented invention not covered under paragraph (1), no recovery shall be had for any infringement committed more than 2 years prior to the filing of the complaint or counterclaim for infringement in the action, except upon proof that the infringer was notified of the infringement by the patentee. Upon such proof, the patentee may recover damages for infringement for up to 2 years prior to such notice, as well as for infringement after such notice. In no event may damages be recovered for more than 6 years prior to the filing of the complaint or counterclaim for infringement in the action.”.

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

“(6) PERSONAL DEFENSE.—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 subordi-
nate 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.”.

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

SEC. 5. POST-GRANT PROCEDURES AND OTHER QUALITY ENHANCEMENTS.

(a) REEXAMINATION.—Section 303(a) of title 35, United States Code, is amended to read as follows:

“(a) Within 3 months after the owner of a patent files 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 and 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 cited by or to the Office
or considered by the Office.”.

(b) Repeal of Optional Inter Partes Reexamination Procedures.—

(1) In general.—Sections 311, 312, 313, 314,
315, 316, 317, and 318 of title 35, United States
Code, and the items relating to those sections in the
table of sections, are repealed.

(2) Effective date.—Notwithstanding para-
graph (1), the provisions of sections 311, 312, 313,
314, 315, 316, 317, and 318 of title 35, United States
Code, shall continue to apply to any inter partes re-
examination determination request filed on or before
the date of enactment of this Act.

(c) Post-Grant Opposition Procedures.—

(1) In general.—Part III of title 35, United
States Code, is amended by adding at the end the fol-
lowing new chapter:

“CHAPTER 32—POST-GRANT REVIEW
PROcedures

“Sec.
“321. Petition for post-grant review.
“322. Timing and bases of petition.
“323. Requirements of petition.
“324. Publication and public availability of petition.
“325. Prohibited filings.
“326. Submission of additional information.
“§ 321. Petition for post-grant review

“Subject to sections 322, 324, 332, and 333 of this chapter, a person who is not the patent owner may file with the Office a petition 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 paragraph (2) or (3) of section 282(b) (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, considering the aggregate costs of the post-grant review proceeding and the status of the petitioner.

“§ 322. Timing and bases of petition

“A post-grant proceeding may be instituted under this chapter pursuant to a petition filed under section 321 only if—

“(1) the petition is filed not later than 12 months after the grant of the patent or issuance of a reissue patent, as the case may be;
“(2)(A) the petitioner establishes in the petition a substantial reason to believe that the continued existence of the challenged claim in the petition causes or is likely to cause the petitioner significant economic harm; and

“(B) the petitioner files a petition not later than 12 months after receiving notice, explicitly or implicitly, that the patent holder alleges infringement; or

“(3) the patent owner consents in writing to the proceeding.

§ 323. Requirements of petition

“A 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 any real parties in interest;

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

“(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and
“(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on other factual evidence or on expert opinions;

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

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

“§ 324. Publication and public availability of petition

“(a) In General.—As soon as practicable after the receipt of a petition under section 321, the Director shall—

“(1) publish the petition in the Federal Register; and

“(2) make that petition available on the website of the United States Patent and Trademark Office.

“(b) Public Availability.—The file of any proceeding under this chapter shall be made available to the public except that any petition or document filed with the intent to be sealed shall be accompanied by a motion to seal. Such petition or document shall be treated as sealed, pending the outcome of the ruling on the motion. Failure to file a motion to seal will result in the pleading being placed in the public record.
“§ 325. Prohibited filings

“(a) IN GENERAL.—A post-grant review proceeding may not be instituted under paragraph (1), (2), or (3) of section 322 if the petition requesting the proceeding identifies the same petitioner or real party in interest and the same patent as a previous petition filed under any paragraph of section 322.

“(b) PREVIOUSLY FILED CIVIL ACTIONS.—A post-grant review proceeding may not be instituted or maintained under paragraph (1) or (2) of section 322 if the petitioner or real party in interest has instituted a civil action challenging the validity of a claim of the patent.

“§ 326. Submission of additional information

“A petitioner under this chapter shall file such additional information with respect to the petition as the Director may require by regulation.

“§ 327. Institution of post-grant review proceedings

“(a) IN GENERAL.—The Director may not authorize a post-grant review proceeding to commence unless the Director determines that the information presented in the petition raises a substantial new question of patentability for at least 1 of the challenged claims. The Director shall determine whether to authorize a post-grant proceeding within 90 days after receiving a petition.

“(b) NOTIFICATION.—The Director shall notify the petitioner and patent owner, in writing, of the Director’s de-
termination under subsection (a). The Director shall publish each notice of institution of a post-grant review proceeding in the Federal Register and make such notice available on the website of the United States Patent and Trademark Office. Such notice shall list the date on which the proceeding shall commence.

“(c) Determination Not Appealable.—The determination by the Director regarding whether to authorize a post-grant review proceeding under subsection (a) shall not be appealable.

“(d) Assignment of the Proceeding to a Panel.—Upon a determination of the Director to commence a post-grant review proceeding, the Director shall assign the proceeding to a panel of 3 administrative patent judges from the Patent Trial and Appeal Board.

“§328. Consolidation of proceedings and joinder

“(a) Consolidation of Post-Grant Proceedings.—If more than 1 petition is submitted under section 322(1) against the same patent and the Director determines that each raises a substantial new question of patentability warranting the commencement of a post-grant review proceeding under section 327, the Director may consolidate such proceedings into a single post-grant review proceeding.
“(b) JOINDER.—If the Director commences a post-grant review proceeding on the basis of a petition filed under section 322(2), any person who files in compliance with section 322(2)(A) a petition that the Director finds sufficient to proceed under section 327 may be joined at the discretion of the Director, and such person shall participate in such post-grant review proceeding.

“§ 329. Conduct of post-grant review proceedings

“(a) IN GENERAL.—The Director shall prescribe regulations—

“(1) in accordance with section 2(b)(2), establishing and governing post-grant review proceedings under this chapter and their relationship to other proceedings under this title;

“(2) for setting forth the standards for showings of substantial reason to believe and significant economic harm under section 322(2) and substantial new question of patentability under section 327(a);

“(3) providing for the publication in the Federal Register all requests for the institution of post-grant proceedings;

“(4) establishing procedures for the submission of supplemental information after the petition is filed; and
“(5) 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.

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

“(1) require that the final determination in a post-grant review proceeding issue not later than 1 year after the date on which the Director notices the institution of a post-grant proceeding under this chapter, except that, for good cause shown, the Director may extend the 1-year period by not more than 6 months;

“(2) provide for discovery upon order of the Director, as required in the interests of justice;

“(3) 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;

“(4) provide for protective orders governing the exchange and submission of confidential information; and

“(5) ensure that any information submitted by the patent owner in support of any amendment en-
tered under section 332 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 proceeding authorized by the Director.

“§ 330. Patent owner response

“After a post-grant review 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 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.

“§ 331. Proof and evidentiary standards

“(a) IN GENERAL.—The presumption of validity set forth in section 282 of this title shall not apply to challenges brought under section 322(1) but shall apply in a challenge brought under paragraph (2) or (3) of section 322 to any patent claim under this chapter.

“(b) BURDEN OF PROOF.—The petitioner under section 322(1) shall have the burden of proving a proposition
of invalidity by a preponderance of the evidence. For petitions filed under paragraphs (2) or (3) of section 322, the existence, authentication, availability, and scope of any evidence offered to establish invalidity shall be established by clear and convincing evidence. If such predicate facts are so established, invalidity shall be proven only if the persuasive force of such facts demonstrates invalidity by a preponderance of the evidence.

“§332. Amendment of the patent

“(a) In general.—During a post-grant review proceeding, the patent owner may file 1 motion to amend the patent in 1 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.

“§333. Settlement

“(a) In general.—A post-grant review proceeding under this chapter shall be terminated with respect to any
petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the matter before the request for termination is filed. If the post-grant review proceeding is terminated with respect to a petitioner under this section, no estoppel under this chapter shall apply to that petitioner. If no petitioner remains in the post-grant review proceeding, the Office shall terminate the post-grant review proceeding.

“(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of a post-grant review proceeding under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the United States Patent and Trademark Office before the termination of the post-grant review proceeding as between the parties to the agreement or understanding. If any party filing such agreement or understanding so requests, the copy shall be kept separate from the file of the post-grant review proceeding, and made available only to Federal Government agencies upon written request, or to any other person on a showing of good cause.
“§ 334. 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 with respect to the patentability of any patent claim challenged and any new claim added under section 332.

“§ 335. Effect of decision

“If the Patent Trial and Appeal Board issues a final decision under section 334 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.

“§ 336. Relationship to other pending proceedings

“Notwithstanding section 135(a), 251, and 252, and chapter 30, the Director may determine the manner in which any ex parte reexamination proceeding, reissue proceeding, interference proceeding (commenced before the effective date of the Patent Reform Act of 2007), derivation proceeding, or post-grant review proceeding, that is pending during a post-grant review proceeding, may proceed, including providing for stay, transfer, consolidation, or termination of any such proceeding.
§337. Effect of decisions rendered in civil action on future post-grant review proceedings

“If a final decision has been 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 section 322; and

“(2) the Director may not thereafter maintain a post-grant review proceeding previously requested by that party or the real parties in interest of that party.

§338. Effect of final decision on future proceedings

“(a) IN GENERAL.—If a final decision under section 334 is favorable to the patentability of any original or new claim of the patent challenged by the petitioner, the petitioner may not thereafter, based on any ground which the petitioner raised during the post-grant review proceeding—

“(1) request or pursue a derivation proceeding with respect to such claim; or

“(2) assert the invalidity of any such claim in any civil action arising in whole or in part under section 1338 of title 28.
“(b) Extension of Prohibition.—If the final decision is the result of a petition filed on the basis of section 322(2), the prohibition under this section shall extend to any ground which the petitioner raised during the post-grant review proceeding.

“§ 339. 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.”.”

(d) Technical and Conforming Amendment.—The table of chapters for part III of title 35, United States Code, is amended by adding at the end the following:

“32. Post-Grant Review Proceedings .............................................. 321”.

(e) Regulations and Effective Date.—

(1) Regulations.—The Under Secretary of Commerce for Intellectual Property and the Director of the United States Patent and Trademark Office (in this subsection referred to as the “Director”) shall, not later than the date that is 1 year after the date of the enactment of this Act, issue regulations to carry out chapter 32 of title 35, United States Code, as added by subsection (c) of this section.

(2) Applicability.—The amendments made by subsection (c) shall take effect on the date that is 1
year after the date of the enactment of this Act and shall apply to patents issued on or after that date, except that, in the case of a patent issued before the effective date of this Act on an application filed between November 29, 1999 and the effective date of this Act, a petition for post-grant review under section 321 of title 35, United States Code, may only be filed under paragraph (2) or (3) of section 322 of title 35, United States Code.

(3) PENDING INTERFERENCES.—The Director shall determine the procedures under which interferences commenced before the effective date under paragraph (2) are to proceed, including whether any such interference is to be dismissed without prejudice to the filing of a petition for a post-grant review proceeding under chapter 32 of title 35, United States Code, or is to proceed as if this Act had not been enacted. The Director shall include such procedures in regulations issued under paragraph (1).

SEC. 6. DEFINITIONS; PATENT TRIAL AND APPEAL BOARD.

(a) DEFINITIONS.—Section 100 of title 35, United States Code, (as amended by section 2 of this Act) is further amended—

(1) in subsection (e), by striking “or inter partes reexamination under section 311”; and
by adding at the end the following:

“(k) The term ‘cancellation petitioner’ means the real party in interest requesting cancellation of any claim of a patent under chapter 31 of this title and the privies of the real party in interest.”.

(b) PATENT TRIAL AND APPEAL BOARD.—Section 6 of title 35, United States Code, is amended to read as follows:

“§ 6. Patent Trial and Appeal Board

“(a) ESTABLISHMENT AND COMPOSITION.—There shall be in the Office a Patent Trial and 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 Director. 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.—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 of examiners upon patents in reexamination proceedings under chapter 30;

“(3) determine priority and patentability of invention in derivation proceedings under subsection 135(a); and

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

Each appeal and derivation 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.”.

SEC. 7. SUBMISSIONS BY THIRD PARTIES AND OTHER QUALITY ENHANCEMENTS.

(a) Publication.—Section 122(b)(2) of title 35, United States Code, is amended—

(1) by striking subparagraph (B); and
(2) in subparagraph (A)—

(A) by striking “(A) An application” and inserting “An application”; and

(B) by redesignating clauses (i) through (iv) as subparagraphs (A) through (D), respectively.

(b) PREISSUANCE SUBMISSIONS BY THIRD PARTIES.—

Section 122 of title 35, United States Code, is amended by adding at the end the following:

“(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 ex-
aminers 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.”.

SEC. 8. VENUE AND JURISDICTION.

(a) VENUE FOR PATENT CASES.—Section 1400 of title 28, United States Code, is amended by striking subsection (b) and inserting the following:

“(b) Notwithstanding section 1391 of this title, in any civil action arising under any Act of Congress relating to patents, a party shall not manufacture venue by assignment, incorporation, or otherwise to invoke the venue of a specific district court.

“(c) Notwithstanding section 1391 of this title, any civil action for patent infringement or any action for de-
claratory judgment may be brought only in a judicial dis-

“(1) where the defendant has its principal place
of business or in the location or place in which the
defendant is incorporated or formed, or, for foreign
corporations with a United States subsidiary, where
the defendant’s primary United States subsidiary has
its principal place of business or is incorporated or
formed;

“(2) where the defendant has committed substan-
tial acts of infringement and has a regular and estab-
lished physical facility that the defendant controls
and that constitutes a substantial portion of the oper-
ations of the defendant;

“(3) where the primary plaintiff resides, if the
primary plaintiff in the action is—

“(A) an institution of higher education as
defined under section 101(a) of the Higher Edu-
cation Act of 1965 (20 U.S.C. 1001(a)); or

“(B) a nonprofit organization that—

“(i) qualifies for treatment under sec-
tion 501(c)(3) of the Internal Revenue Code
(26 U.S.C. 501(c)(3));

“(ii) is exempt from taxation under
section 501(a) of such Code; and
“(iii) serves as the patent and licensing organization for an institution of higher education as defined under section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)); or

“(4) where the plaintiff resides, if the sole plaintiff in the action is an individual inventor who is a natural person and who qualifies at the time such action is filed as a micro-entity pursuant to section 123 of title 35.

“(d) If a plaintiff brings a civil action for patent infringement or declaratory judgment relief under subsection (c), then the defendant may request the district court to transfer that action to another district or division where, in the court’s determination—

“(1) any of the parties has substantial evidence or witnesses that otherwise would present considerable evidentiary burdens to the defendant if such transfer were not granted;

“(2) such transfer would not cause undue hardship to the plaintiff; and

“(3) venue would be otherwise appropriate under section 1391 of this title.”.
(b) INTERLOCUTORY APPEALS.—Subsection (c)(2) of section 1292 of title 28, United States Code, is amended by adding at the end the following:

“(3) of an appeal from an interlocutory order or decree determining construction of claims in a civil action for patent infringement under section 271 of title 35.

Application for an appeal under paragraph (3) shall be made to the court within 10 days after entry of the order or decree. The district court shall have discretion whether to approve the application and, if so, whether to stay proceedings in the district court during the pendency of such appeal.”.

(c) TECHNICAL AMENDMENTS RELATING TO VENUE.—Sections 32, 145, 146, 154(b)(4)(A), and 293 of title 35, United States Code, and section 1071(b)(4) of an Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes, approved July 5, 1946 (15 U.S.C. 1051 et seq.) (commonly referred to as the Trademark Act of 1946 or the Lanham Act) are each amended by striking “United States District Court for the District of Columbia” each place that term appears and inserting “United States District Court for the Eastern District of Virginia”.

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SEC. 9. PATENT AND TRADEMARK OFFICE REGULATORY AUTHORITY.

(a) Fee Setting.—

(1) In General.—The Director shall have authority to set or adjust by rule any fee established or charged by the Office under sections 41 and 376 of title 35, United States Code or under section 31 of the Trademark Act of 1946 (15 U.S.C. 1113) for the filing or processing of any submission to, and for all other services performed by or materials furnished by, the Office, provided that such fee amounts are set to reasonably compensate the Office for the services performed.

(2) Reduction of Fees in Certain Fiscal Years.—In any fiscal year, the Director—

(A) shall consult with the Patent Public Advisory Committee and the Trademark Public Advisory Committee on the advisability of reducing any fees described in paragraph (1); and

(B) after that consultation may reduce such fees.

(3) Role of the Public Advisory Committee.—The Director shall—

(A) submit to the Patent or Trademark Public Advisory Committee, or both, as appropriate, any proposed fee under paragraph (1)
not less than 45 days before publishing any proposed fee in the Federal Register;

(B) provide the relevant advisory committee described in subparagraph (A) a 30-day period following the submission of any proposed fee, on which to deliberate, consider, and comment on such proposal, and require that—

(i) during such 30-day period, the relevant advisory committee hold a public hearing related to such proposal; and

(ii) the Director shall assist the relevant advisory committee in carrying out such public hearing, including by offering the use of Office resources to notify and promote the hearing to the public and interested stakeholders;

(C) require the relevant advisory committee to make available to the public a written report detailing the comments, advice, and recommendations of the committee regarding any proposed fee;

(D) consider and analyze any comments, advice, or recommendations received from the relevant advisory committee before setting or adjusting any fee; and
(E) notify, through the Chair and Ranking Member of the Senate and House Judiciary Committees, the Congress of any final decision regarding proposed fees.

(4) **Publication in the Federal Register.**—

(A) **In General.**—Any rules prescribed under this subsection shall be published in the Federal Register.

(B) **Rationale.**—Any proposal for a change in fees under this section shall—

(i) be published in the Federal Register; and

(ii) include, in such publication, the specific rationale and purpose for the proposal, including the possible expectations or benefits resulting from the proposed change.

(C) **Public Comment Period.**—Following the publication of any proposed fee in the Federal Register pursuant to subparagraph (A), the Director shall seek public comment for a period of not less than 45 days.

(5) **Congressional Comment Period.**—Following the notification described in paragraph (3)(E), Congress shall have not more than 45 days to consider and comment on any proposed fee under
paragraph (1). No proposed fee shall be effective prior to the end of such 45-day comment period.

(6) RULE OF CONSTRUCTION.—No rules prescribed under this subsection may diminish—

(A) an applicant’s rights under this title or the Trademark Act of 1946; or

(B) any rights under a ratified treaty.

(b) FEES FOR PATENT SERVICES.—Division B of Public Law 108–447 is amended in title VIII of the Departments of Commerce, Justice and State, the Judiciary, and Related Agencies Appropriations Act, 2005, in section 801(a) by striking “During fiscal years 2005, 2006 and 2007”, and inserting “Until such time as the Director sets or adjusts the fees otherwise,”.

(c) ADJUSTMENT OF TRADEMARK FEES.—Division B of Public Law 108–447 is amended in title VIII of the Departments of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act, 2005, in section 802(a) by striking “During fiscal years 2005, 2006 and 2007”, and inserting “Until such time as the Director sets or adjusts the fees otherwise,”.

(d) EFFECTIVE DATE, APPLICABILITY, AND TRANSITIONAL PROVISION.—Division B of Public Law 108–447 is amended in title VIII of the Departments of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act, 2005, in section 803(a) by striking “During fiscal years 2005, 2006 and 2007”, and inserting “Until such time as the Director sets or adjusts the fees otherwise,”.
appropriations Act, 2005, in section 803(a) by striking “and shall apply only with respect to the remaining portion of fiscal year 2005, 2006 and 2007.”.

(e) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to affect any other provision of Division B of Public Law 108–447, including section 801(c) of title VII of the Departments of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act, 2005.

(f) DEFINITIONS.—In this section:

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

(2) OFFICE.—The term “Office” means the United States Patent and Trademark Office.

(3) TRADEMARK ACT OF 1946.—The term “Trademark Act of 1946” means an Act entitled “Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes”, approved July 5, 1946 (15 U.S.C. 1051 et seq.) (commonly referred to as the Trademark Act of 1946 or the Lanham Act).
SEC. 10. RESIDENCY OF FEDERAL CIRCUIT JUDGES.

The second sentence of section 44(c) of title 28, United States Code, is repealed.

SEC. 11. APPLICANT QUALITY SUBMISSIONS.

Chapter 11 of title 35, United States Code, is amended by adding at the end the following new section:

§ 123. Additional information; micro-entity exception

“(a) In General.—The Director shall, by regulation, require that an applicant for a patent under this title submit to the Director—

“(1) a search report and analysis relevant to patentability; and

“(2) any other information relevant to patentability that the Director, in his discretion, determines necessary.

“(b) Failure to Comply.—If an applicant fails to submit the search report, analysis, or information required under subsection (a) in the manner and within the time period prescribed by the Director, such application shall be regarded as abandoned.

“(c) Exception.—Any application for a patent submitted by a micro-entity shall not be subject to the requirements of this section.

“(d) Micro-Entity Defined.—

“(1) In General.—For purposes of this section, the term ‘micro-entity’ means an applicant who
makes a certification under either paragraph (2) or (3).

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

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

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

“(C) 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

“(D) 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.

“(3) ASSIGNED APPLICATION.—For an assigned application, each applicant shall certify that the applicant—
“(A) qualifies as a small entity, as defined in regulations issued by the Director, and meets the requirements of paragraph (2)(D);

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

“(C) 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.

“(4) INCOME LEVEL ADJUSTMENT.—The gross income levels established under paragraphs (2) and (3) 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.”.
SEC. 12. INEQUITABLE CONDUCT.

Chapter 29 of title 35, United States Code, is amended by adding at the end the following new section:

“§ 298. Inequitable conduct

“(a) In General.—A party advancing the proposition that a patent should be cancelled or held unenforceable due to inequitable conduct in connection with a matter or proceeding before the United States Patent and Trademark Office shall prove independently by clear and convincing evidence that material information was misrepresented or omitted from the patent application of such patent with the intention of deceiving the Office.

“(b) Materiality.—Information shall be considered material for purposes of subsection (a) if—

“(1) a reasonable patent examiner would consider such information important in deciding whether to allow the patent application; and

“(2) such information is not cumulative to information already of record in the application.

“(c) Intent.—Intent to deceive the Office may be inferred under subsection (a), but the inference may not be based solely on the gross negligence of the patent owner or its representative, or on the materiality of the information misrepresented or not disclosed.

“(d) Pleading.—In actions involving allegations of inequitable conduct before the Office, the party asserting the
defense or claim shall comply with the pleading requirements set forth under Federal Rules of Civil Procedure 9(b).

“(e) REMEDIES.—If the court finds both that material information was misrepresented to, or withheld from, the Office and an intent to deceive, after balancing the equities, the court, using its discretion, shall impose 1 or more of the following remedies as it deems appropriate:

“(1) Hold the patent unenforceable.

“(2) Hold 1 or more claims of the patent unenforceable.

“(3) Order that the patentee is not entitled to equitable relief and that the sole and exclusive remedy for infringement of the patent shall be a reasonable royalty.”.

SEC. 13. AUTHORITY OF THE DIRECTOR OF THE PATENT AND TRADEMARK OFFICE TO ACCEPT LATE FILINGS.

(a) Authority.—Section 2 of title 35, United States Code, is amended by adding at the end the following:

“(e) DISCRETION TO ACCEPT LATE FILINGS IN CERTAIN CASES OF UNINTENTIONAL DELAY.—

“(1) IN GENERAL.—The Director may accept any application or other filing made by—
“(A) an applicant for, or owner of, a patent after the applicable deadline set forth in this title with respect to the application or patent; or

“(B) an applicant for, or owner of, a mark after the applicable deadline under the Trademark Act of 1946 with respect to the registration or other filing of the mark,

to the extent that the Director considers appropriate, if the applicant or owner files a petition within 30 days after such deadline showing, to the satisfaction of the Director, that the delay was unintentional.

“(2) Treatment of Director’s actions on petition.—If the Director has not made a determination on a petition filed under paragraph (1) within 60 days after the date on which the petition is filed, the petition shall be deemed to be denied. A decision by the Director not to exercise, or a failure to exercise, the discretion provided by this subsection shall not be subject to judicial review.

“(3) Other provisions not affected.—This subsection shall not apply to any other provision of this title, or to any provision of the Trademark Act of 1946, that authorizes the Director to accept, under certain circumstances, applications or other filings made after a statutory deadline or to statutory deadlock-
lines that are required by reason of the obligations of
the United States under any treaty.

“(4) DEFINITION.—In this subsection, the term
‘Trademark Act of 1946’ means the Act entitled ‘An
Act to provide for the registration and protection of
trademarks used in commerce, to carry out the provi-
sions of certain international conventions, and for
other purposes’, approved July 5, 1946 (15 U.S.C.
1051 et seq.) (commonly referred to as the Trademark
Act of 1946 or the Lanham Act).’.

(b) APPLICABILITY.—

(1) IN GENERAL.—The amendment made by sub-
section (a) shall apply to any application or other fil-
ing that—

(A) is filed on or after the date of the enact-
ment of this Act; or

(B) on such date of enactment, is pending
before the Director or is subject to judicial re-
view.

(2) TREATMENT OF PENDING APPLICATIONS AND
FILINGS.—In the case of any application or filing de-
scribed in paragraph (1)(B), the 30-day period pre-
scribed in section 2(e)(1) of title 35, United States
Code, as added by subsection (a) of this section, shall
be deemed to be the 30-day period beginning on the date of the enactment of this Act.

**SEC. 14. LIMITATION ON DAMAGES AND OTHER REMEDIES WITH RESPECT TO PATENTS FOR METHODS IN COMPLIANCE WITH CHECK IMAGING METHODS.**

(a) LIMITATION.—Section 287 of title 35, United States Code, is amended by adding at the end the following:

“(d)(1) With respect to the use by a financial institution of a check collection system that constitutes an infringement under subsection (a) or (b) of section 271, the provisions of sections 281, 283, 284, and 285 shall not apply against the financial institution with respect to such a check collection system.

“(2) For the purposes of this subsection—

“(A) the term ‘check’ has the meaning given under section 3(6) of the Check Clearing for the 21st Century Act (12 U.S.C. 5002(6));

“(B) the term ‘check collection system’ means the use, creation, transmission, receipt, storing, settling, or archiving of truncated checks, substitute checks, check images, or electronic check data associated with or related to any method, system, or process that furthers or effectuates, in whole or in part, any of the
purposes of the Check Clearing for the 21st Century Act (12 U.S.C. 5001 et seq.);

“(C) the term ‘financial institution’ has the meaning given under section 509 of the Gramm-Leach-Bliley Act (15 U.S.C. 6809);

“(D) the term ‘substitute check’ has the meaning given under section 3(16) of the Check Clearing for the 21st Century Act (12 U.S.C. 5002(16)); and

“(E) the term ‘truncate’ has the meaning given under section 3(18) of the Check Clearing for the 21st Century Act (12 U.S.C. 5002(18)).”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to any civil action for patent infringement pending or filed on or after the date of enactment of this Act.

SEC. 15. PATENT AND TRADEMARK OFFICE FUNDING.

(a) DEFINITIONS.—In this section:

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

(2) FUND.—The term “Fund” means the public enterprise revolving fund established under subsection (c).

(3) OFFICE.—The term “Office” means the United States Patent and Trademark Office.
(4) TRADEMARK ACT OF 1946.—The term “Trademark Act of 1946” means an Act entitled “Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes”, approved July 5, 1946 (15 U.S.C. 1051 et seq.) (commonly referred to as the Trademark Act of 1946 or the Lanham Act).

(5) UNDERSECRETARY.—The term “Undersecretary” means the Under Secretary of Commerce for Intellectual Property.

(b) FUNDING.—

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

(A) in subsection (b), by striking “Patent and Trademark Office Appropriation Account” and inserting “United States Patent and Trademark Office Public Enterprise Fund”; and

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

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

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

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendments made by paragraph (1) shall take effect on October 1, 2008.

(B) TERMINATION OF APPROPRIATION.—The provisions of any prior appropriation Act that makes amounts available pursuant to section 42(c) of title 35, United States Code, and are in effect on the effective date set forth in subparagraph (A) shall cease to be effective on that effective date, and any unexpended amounts made available pursuant to such section shall be transferred in accordance with subsection (c)(5).

(c) USPTO REVOLVING FUND.—

(1) ESTABLISHMENT.—There is established in the Treasury of the United States a revolving fund to be known as the “United States Patent and Trademark Office Public Enterprise Fund”. Any amounts in the Fund shall be available for use by the Director without fiscal year limitation.

(2) DERIVATION OF RESOURCES.—There shall be deposited into the Fund—
(A) any fees collected under sections 41, 42, and 376 of title 35, United States Code, provided that notwithstanding any other provision of law, if such fees are collected by, and payable to, the Director, the Director shall transfer such amounts to the Fund; and

(B) any fees collected under section 31 of the Trademark Act of 1946 (15 U.S.C. 1113).

(3) EXPENSES.—Amounts deposited into the Fund under paragraph (2) shall be available, without fiscal year limitation, to cover—

(A) all expenses to the extent consistent with the limitation on the use of fees set forth in section 42(c) of title 35, United States Code, including all administrative and operating expenses, determined in the discretion of the Under Secretary to be ordinary and reasonable, incurred by the Under Secretary and the Director for the continued operation of all services, programs, activities, and duties of the Office, as such services, programs, activities, and duties are described under—

(i) title 35, United States Code; and

(ii) the Trademark Act of 1946; and
(B) all expenses incurred pursuant to any obligation, representation, or other commitment of the Office.

(4) CUSTODIANS OF MONEY.—Notwithstanding section 3302 of title 31, United States Code, any funds received by the Director and transferred to Fund, or any amounts directly deposited into the Fund, may be used—

(A) to cover the expenses described in paragraph (3); and

(B) to purchase obligations of the United States, or any obligations guaranteed by the United States.

(5) UNEXPENDED BALANCES.—Any unexpended balances in any accounts held on behalf of the Director, or the Office, including in the Patent and Trademark Office Appropriation Account in the Treasury of the United States, shall be transferred to the Fund and shall remain available until expended.

(d) ANNUAL REPORT.—Not later than 60 days after the end of each fiscal year, the Under Secretary and the Director shall submit a report to Congress which shall—

(1) summarize the operations of the Office for the preceding fiscal year, including financial details and
staff levels broken down by each major activity of the Office;

(2) detail the operating plan of the Office, including specific expense and staff needs for the upcoming fiscal year;

(3) describe the long term modernization plans of the Office;

(4) set forth details of any progress towards such modernization plans made in the previous fiscal year; and

(5) include the results of the most recent audit carried out under subsection (f).

(e) ANNUAL SPENDING PLAN.—

(1) IN GENERAL.—Not later than 30 days after the beginning of each fiscal year, the Director shall notify the Committees on Appropriations of both Houses of Congress of the plan for the obligation and expenditure of the total amount of the funds for that fiscal year in accordance with section 605 of the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (Public Law 109–108; 119 Stat. 2334).

(2) CONTENTS.—Each plan under paragraph (1) shall—
(A) summarize the operations of the Office for the current fiscal year, including financial details and staff levels with respect to major activities; and

(B) detail the operating plan of the Office, including specific expense and staff needs, for the current fiscal year.

(f) AUDIT.—The Under Secretary shall, on an annual basis, provide for an independent audit of the financial statements of the Office. Such audit shall be conducted in accordance with generally acceptable accounting procedures.

(g) BUDGET.—In accordance with section 9301 of title 31, United States Code, the Fund shall prepare and submit each year to the President a business-type budget in such manner, and before such date, as the President prescribes by regulation for the budget program.

SEC. 16. TECHNICAL AMENDMENTS.

(a) JOINT INVENTIONS.—Section 116 of title 35, United States Code, is amended—

(1) in the first paragraph, by striking “When” and inserting “(a) JOINT INVENTIONS.—When”;
(2) in the second paragraph, by striking “If
a joint inventor” and inserting “(b) OMITTED
INVENTOR.—If a joint inventor”; and
(3) in the third paragraph, by striking
“Whatever” and inserting “(c) CORRECTION OF
ERRORS IN APPLICATION.—Whenever”.

(b) FILING OF APPLICATION IN FOREIGN COUNTRY.—
Section 184 of title 35, United States Code, is amended—
(1) in the first paragraph, by striking “Except
when” and inserting “(a) FILING IN FOREIGN COUN-
TRY.—Except when”;
(2) in the second paragraph, by striking “The
term” and inserting “(b) APPLICATION.—The term”; and
(3) in the third paragraph, by striking “The
scope” and inserting “(c) SUBSEQUENT MODIFICA-
TIONS, AMENDMENTS, AND SUPPLEMENTS.—The
scope”.

(c) REISSUE OF DEFECTIVE PATENTS.—Section 251
of title 35, United States Code, is amended—
(1) in the first paragraph, by striking “When-
ever” and inserting “(a) IN GENERAL.—Whenever”; 
(2) in the second paragraph, by striking “The
Director” and inserting “(b) MULTIPLE REISSUED
PATENTS.—The Director”;
(3) in the third paragraph, by striking “The provision” and inserting “(c) APPLICABILITY OF THIS TITLE.—The provisions”; and

(4) in the last paragraph, by striking “No re-issued patent” and inserting “(d) REISSUE PATENT ENLARGING SCOPE OF CLAIMS.—No reissued patent”.

(d) EFFECT OF REISSUE.—Section 253 of title 35, United States Code, is amended—

(1) in the first paragraph, by striking “Whenever” and inserting “(a) IN GENERAL.—Whenever”; and

(2) in the second paragraph, by striking “in like manner” and inserting “(b) ADDITIONAL DISCLAIMER OR DEDICATION.—In the manner set forth in sub-section (a),”.

(e) CORRECTION OF NAMED INVENTOR.—Section 256 of title 35, United States Code, is amended—

(1) in the first paragraph, by striking “Whenever” and inserting “(a) CORRECTION.—Whenever”; and

(2) in the second paragraph, by striking “The error” and inserting “(b) PATENT VALID IF ERROR CORRECTED.—The error”.

(f) PRESUMPTION OF VALIDITY.—Section 282 of title 35, United States Code, is amended—
(1) in the first undesignated paragraph, by striking “A patent” and inserting “(a) IN GENERAL.—A patent”;

(2) in the second undesignated paragraph, by striking “The following” and inserting “(b) DEFENSES.—The following”; and

(3) in the third undesignated paragraph, by striking “In actions” and inserting “(c) NOTICE OF ACTIONS; ACTIONS DURING EXTENSION OF PATENT TERM.—In actions”.

SEC. 17. EFFECTIVE DATE; RULE OF CONSTRUCTION.

(a) EFFECTIVE DATE.—Except as otherwise provided in this Act, the provisions of this Act shall take effect 12 months after the date of the enactment of this Act and shall apply to any patent issued on or after that effective date.

(b) CONTINUITY OF INTENT UNDER THE CREATE ACT.—The enactment of section 102(b)(3) of title 35, United States Code, under section (2)(b) of this Act is done with the same intent to promote joint research activities that was expressed, including in the legislative history, through the enactment of the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108–453; the “CREATE Act”), the amendments of which are stricken by section 2(c) of this Act. The United States Patent and Trademark Office shall administer section
102(b)(3) of title 35, United States Code, in a manner consis-
tent with the legislative history of the CREATE Act that was relevant to its administration by the United States Patent and Trademark Office.
A BILL

To amend title 35, United States Code, to provide for patent reform.

JANUARY 24, 2008

Reported with an amendment

S. 1145

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