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

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

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

Well, I cannot help but also speak to my own constituents in Iowa about what this means for my own State. If H.R. 1, the House bill which passed the House, if it were to be passed and enacted into law—well, I mentioned about the cuts that we are having in the Job Corps. It would basically kill the Denison, IA, Job Corps Center, which employs 163 people. It provides training to 450 at-risk students each year, and we have a new Job Corps Center just being built, just being opened in Ottumwa. That will probably just come to a screeching halt. It is supposed to be opening later this year.

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

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

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

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

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

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

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

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

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

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

I hope the Senate will recognize H.R. 1 for what it is, a detriment, a body blow to our recovery efforts. I hope the Senate will resoundingly defeat it.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant bill clerk proceeded to call the roll.

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

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

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Morning business is closed.

PATENT REFORM ACT OF 2011—Continued

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

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

Yesterday, I commended Austan Goolsbee, the chair of the President's Council of Economic Advisers, for his white board presentation this week on the importance of patent reform to help America win the global competition and create jobs. The creation of more than 220,000 jobs in the private sector last month, the creation of 1.5 million jobs over the last 12 months, and the unemployment rate finally being reduced to 8.9 percent are all signs that the efforts we have made over the last 2 years to stave off the worst recession since the Great Depression are paying off and the economic recovery is taking hold. The almost full percent point drop in the unemployment rate over the last 3 months is the largest decline in unemployment since 1983. Despite interruptions of economic activity in many parts of the country caused by winter weather over the last months and in recent days, despite the extraordinary rise in oil

prices, the Dow Jones industrial average has climbed back to over 12,000 from a low point of 6,500. Passage of the America Invents Act should help bolster our economic recovery and keep us on the right path toward business development and job creation.

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

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

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

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

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

While the Congress debates spending and budget measures in an often too partisan manner, the American people are craving—and the American economy is demanding—bipartisan legislation that can create jobs and help our economy through common sense measures. That is what this bill can do. It relies on not one dollar of taxpayer money. Let me emphasize, not a dime in taxpayer money is spent on the Patent and Trademark Office, PTO, reforms. They are all funded by patent fees, not taxes.

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

During Senate debate over the last week our bill has been improved by a number of Senators who have contributed amendments. Senators BENNET, COONS, SCHUMER, MENENDEZ, PRYOR, STABENOW, BAUCUS, BINGAMAN, COBURN and KIRK have all contributed, and I thank them for working with us. Senator CARDIN attempted to offer germane amendments, and I regret that these were blocked.

I thank our ranking Republican on the committee and the comanager of this measure, Senator GRASSLEY, and his staff, Kolan Davis and Rita Lari, for their dedication to this effort. I commend Senator HATCH for sticking with it for these many years, and Senator KYL for helping get this done.

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

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

I also commend the hardworking Senate floor staff, Tim Mitchell and Trish Engle, as well as Dave Schiappa, and the staffs of other Senators, including Tim Molino, Joe Matal, and Matt Sandgren, for their dedicated efforts.

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

The America Invents Act will accomplish 3 important goals, which have been at the center of the patent reform debate from the beginning: It will improve and harmonize operations at the

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

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

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

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

It has been almost 6 years since Chairman SMITH and Congressman BERMAN introduced the first version of patent reform legislation in 2005, but the structure and guiding principles of the legislation remain the same. The bill will speed the process by which the Patent Office considers applications and should improve the quality of patents it issues.

Innovation and economic development are not uniquely Democratic or Republican objectives, so we worked together to find the proper balance for America—for our economy, for our inventors, for our consumers. Working together, we can smooth the path for more interesting—and great—American inventions. That is what this bipartisan, comprehensive patent reform bill will do. No one claims that ours is a perfect bill. It is a compromise that will make key improvements in the patent system. Having coordinated with the leaders in the House through this process, I hope that the House will look favorably on our work and adopt this measure so that it can be sent to the President without delay and its improvements can take effect in order to encourage American innovation and promote American invention.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant bill clerk proceeded to call the roll.

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

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

Mr. REID. Mr. President, I ask unanimous consent the Reid amendment No. 152 be withdrawn; that the Reid amendment No. 143 be modified with the changes at the desk; the Senate proceed to vote on the amendment, as modified, with no amendments in order prior to the vote; that there then be 30 minutes of debate equally divided between the two managers or their designees; that S. 23 be read a third time; that a budgetary pay-go statement be read; the Senate then proceed to a vote on passage of the bill, as amended; and the motions to reconsider be considered made and laid upon the table with no intervening action or debate.

Further, I ask unanimous consent that at 12 noon Wednesday, March 9, the Senate proceed to the consideration of Calendar No. 14, H.R. 1, the Defense appropriations long-term continuing resolution for fiscal year 2011; that there be 3 hours of debate on H.R. 1 and the Democratic alternative, the Inouye substitute amendment No. 149, with the time equally divided between the two leaders or their designees prior to a vote on passage of H.R. 1; that the vote on passage be subject to a 60-vote threshold; that if the bill achieves 60 affirmative votes, the bill be read a third time and passed; that if the bill does not achieve 60 affirmative votes, the majority leader be recognized to offer the Inouye substitute amendment No. 149; the Senate then proceed to a vote on the substitute amendment; that the substitute amendment be subject to a 60-vote threshold; if the substitute amendment achieves 60 affirmative votes, the substitute amendment be agreed to; the bill, as amended, be read a third time and passed; if the substitute amendment does not achieve 60 affirmative votes, H.R. 1 be returned to the calendar; that no motions or amendments be in order to the substitute amendment or to the bill prior to the votes; further, that all of the above occur with no intervening action or debate.

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

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

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

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

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

Under the previous order, amendment No. 143 is modified with the changes at the desk.

The amendment, as modified, is as follows:

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

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

''(d) STATE INSTITUTIONS OF HIGHER EDUCATION.—

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

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

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

''(2) DIRECTOR'S AUTHORITY.—The Director may, in the Director's discretion, impose income limits, annual filing limits, or other limits on who may qualify as a micro entity pursuant to this subsection if the Director determines that such additional limits are reasonably necessary to avoid an undue impact on other patent applicants or owners or are otherwise reasonably necessary and appropriate. At least 3 months before any limits proposed to be imposed pursuant to this paragraph shall take effect, the Director shall inform the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate of any such proposed limits.''.

The PRESIDING OFFICER. The question is on agreeing to amendment No. 143, as modified.

The amendment (No. 143), as modified, was agreed to.

Mr. COBURN. I wish to express my opposition to Reid amendment No. 143, as modified. I do not believe public institutions of higher education, or any entity, should be carved out of the definition of micro entity in the underlying legislation. Had a rollcall vote occurred, I would have voted no.

Mr. LEAHY. Mr. President, I suggest the absence of a quorum, with unanimous consent that the time be equally divided.

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

The clerk will call the roll.

The assistant bill clerk proceeded to call the roll.

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

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

CHECK 21 ACT PATENTS

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

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

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

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

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

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

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

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

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

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

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

Business method patents are the bane of the patent world. The business method problem began in 1998 with the U.S. Court of Appeals for the Federal Circuit decision in State Street Bank & Trust Co. v. Signature Financial Group, Inc. State Street created a seachange in the patentability of business-methods, holding that any invention can be patented so long as it produces a ''useful, concrete, and tangible result'' and meets other requirements of the patent laws.

State Street launched an avalanche of patent applications seeking protection for common business practices. The quality of these business method patents has been much lower than that of other patents, as Justice Kennedy noted in his concurring opinion in eBay Inc. v. MercExchange. Justice Kennedy wrote about the ''potential vagueness and suspect validity'' of some of ''the burgeoning number of patents over business methods.'' Commentators like Rochelle Dreyfuss have also lamented ''the frequency with which the Patent Office issues patents on shockingly mundane business inventions.'' Malla Pollack pointed out that ''[M]any of the recently-issued business method patents are facially (even farcically) obvious to persons outside the USPTO.''

One of the main reasons for the poor quality of business method patents is the lack of readily accessible prior art references. Because business methods were not patentable prior to 1998 when the State Street decision was issued, the library of prior art on business method patents is necessarily limited—as opposed, say, to more traditional types of patents for which there can be centuries of patents and literature about them for the PTO to examine. Furthermore, information about methods of conducting business, unlike information about other patents, is often not documented in patents or published in journals. This means a patent examiner has significantly less opportunity than he might with a traditional patent to weed out undeserving applications. Unfortunately, that means the burden falls on private individuals and an expensive court process to clean up the mess.

The ability to easily obtain business method patents without a rigorous and thorough review in the Patent Office has created a flood of poor quality business method patents and a cottage industry of business method patent litigation. The Federal courts have recognized this problem, and indeed even the Supreme Court has begun to address it. In KSR Intl Co. v. Teleflex, Inc. and Bilski v. Kappos, the Court articulated a new standard for obviousness and made clear that abstract business methods are not patentable. While these legal developments are important, the leave in limbo the many patents that were issued by the PTO since State Street that are not in fact valid.

Litigation over invalid patents places a substantial burden on U.S. courts and the U.S. economy. Business-method inventions generally are not and have not been patentable in countries other than the United States. In order to reduce the burden placed on courts and the economy by this back-and-forth shift in judicial precedent, the Schumer-Kyl transitional proceeding authorizes a temporary administrative alternative for reviewing business method patents.

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

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

When Congress initially created ex parte reexamination, it did not expressly provide for a stay of litigation pending the outcome of an ex parte reexamination proceeding. Rather, Congress relied on the courts' inherent power to grant stays and encouraged courts to liberally grant stays. However, relying on the courts' inherent

power to grant stays did not result in courts liberally granting stays. For example, one commentator who surveyed the grant rates on motions for stay pending reexamination, Matthew A. Smith, found that numerous district courts granted stays less than half the time. In fact, Eastern District of Texas grants stays only 20 percent of the time. Due to low grant rates for stays in several jurisdictions, this amendment instructs courts to apply the four-factor test first announced in Broadcast Innovation, L.L.C. v. Charter Communications when evaluating stay motions.

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

Absent some exceptional circumstance, the institution of a business-methods proceeding—which requires a high up-front showing and will be completed in a relatively short period of time—should serve as a substitute for litigation, and result in a stay of co-pending district court litigation.

By adopting this four-factor test, rather than one of the three-factor tests used by other courts, the amendment also precludes the use of additional factors that are not codified here and that have occasionally been used by some district courts. For example, a few courts have occasionally employed a different de facto fourth factor: whether the challenger offers ''to forgo invalidity arguments based on prior art patents and/or printed publications considered during an ex parte reexamination process.'' The proceeding authorized by this amendment, at subsection (b)(1)(D), sets its own standard for determining what issues may still be raised in civil litigation if a patent survives PTO review. By codifying the exclusive set of factors that courts are to consider when granting stays, the amendment precludes courts from inventing new factors such as extra-statutory estoppel tests.

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

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

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

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

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

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

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

The definition of a ''covered business method patent'' includes ''a method or corresponding apparatus.'' The phrase ''method or corresponding apparatus'' is intended to encompass, but not be limited to, any type of claim contained in a patent, including, method claims, system claims, apparatus claims, graphical user interface claims, data structure claims—Lowry claims—and set of instructions on storage media claims—Beauregard claims. A patent qualifies as a covered business method patent regardless of the type or structure of claims contained in the patent. Clever drafting of patent applications should not allow a patent holder to avoid PTO review under this amendment. Any other result would elevate form over substance.

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

The amendment covers not only financial products and services, but also the ''practice, administration and management'' of a financial product or service. This language is intended to

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

The amendment also requires a patent to relate to a ''financial product or service.'' To meet this requirement, the patent need not recite a specific financial product or service. Rather the patent claims must only be broad enough to cover a financial product or service. For example, if a patent claims a general online marketing method but does not specifically mention the marketing of a financial product, such as a savings account, if that marketing method could be applied to marketing a financial product or service, the patent would be deemed to cover a ''financial product or service.'' Likewise, if a patent holder alleges that a financial product or service infringes its patent, that patent shall be deemed to cover a ''financial product or service'' for purposes of this amendment regardless of whether the asserted claims specifically reference the type of product of service accused of infringing.

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

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

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

INDEPENDENT COMMUNITY BANKERS OF AMERICA,
Washington, DC, March 3, 2011.

Hon. CHARLES E. SCHUMER,
U.S. Senate,
Washington, DC.
Hon. JON KYL,
U.S. Senate,
Washington, DC.

DEAR SENATORS SCHUMER AND KYL: On behalf of the Independent Community Bankers of America (ICBA) and the nearly 5,000 community banks that we represent, we thank you for your efforts to improve S. 23 the Patent Reform Act of 2011 through your amendment to establish an oppositional proceeding at the United States Patent and Trademark Office (PTO) where business-method patents can be examined using the best available prior art. Such patents have, unfortunately, become the preferred method of extracting large settlements from community banks and these practices threaten our bankers' ability to provide banking and banking related services to their local communities and to local small businesses.

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

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

We are pleased to learn that the Senate has adopted much of the Schumer-Kyl amendment into the base text of S. 23. We encourage the Senate to only strengthen this provision, where possible, for the good of our nation's community banks and the countless neighborhoods and communities that they serve.

Thank you again.

Sincerely,

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

Mr. KYL. Mr. President, I ask unanimous consent to have printed in the RECORD materials concerning the America Invents Act that were distributed by the Republican Policy Committee last week. These consist of a legislative notice describing the bill that was brought to the Senate floor, and a summary of the Senate managers' amendment that was adopted on Tuesday.

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

[From the Republican Policy Committee, U.S. Senate, Feb. 28, 2011]

Legislative Notice

S. 23—THE PATENT REFORM ACT OF 2011

Calendar #6

Reported by the Judiciary Committee with amendments on February 3, 2011 by a vote of 15–0. No written report.

NOTEWORTHY

At 3:30 p.m. today, the Senate will begin consideration of S. 23.

The Act adopts a ''First Inventor to File'' patent regime. Currently the United States is the only country in the world operating under a ''First to Invent'' regime.

The Act grants the U.S. Patent and Trademark Office (PTO) authority to set its own fees to better ensure proper funding for its operations.

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

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

BACKGROUND/OVERVIEW

Innovation is a key facet of American economic power, as our Founders recognized in the Constitution by giving Congress the power to ''promote the progress of science and useful arts'' by granting inventors time limited monopolies—patents—on their discoveries. This basic framework set the course for centuries of American innovation, but the law has not been substantially updated since the Patent Act of 1952. Responding to concerns about the quality and timeliness of patents issued by the PTO, the last several Congresses have considered substantial patent reform measures. [In the 109th Congress Senators Hatch and Leahy introduced the Patent Reform Act of 2006 (S. 3818). The next year, Senators Leahy and Hatch introduced the Patent Reform Act of 2007 (S. 1145). This bill was reported from the Judiciary Committee, as amended, on January 24, 2008, with a Committee Report (S. Rep. 110–259), but it was not considered by the full Senate. On March 3, 2009, Senators Leahy and Hatch introduced the Patent Reform Act of 2009, which was reported with amendments on April 2, 2009, with a Committee Report (S. Rep. 111–18). Again the bill was not considered by the full Senate. During this time, the Senate Judiciary Committee has held eight hearings on patent reform, and the House has held hearings on the subject as well.]

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

BILL PROVISIONS

Section 1. Title/Table of Contents
Section 2. First Inventor to File

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

However, the system poses challenges for American inventors who must operate under one regime domestically and another if they wish to profit from their innovation abroad. The First to Invent system also results in less certainty about the validity of patents and often leads to expensive and lengthy litigation. Many commentators and organizations, including the National Academy of Sciences, have urged the United States to

adopt a First Inventor to File system. S. 23 moves the United States to a First Inventor to File regime. As part of that, it creates an administrative proceeding to ensure that the first person to file is actually the true inventor. It also preserves and strengthens current law's grace period, by providing that disclosures made by the true inventor, or someone who got the information from the inventor, less than one year before the application is filed will not be held against their application.

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

Section 3. Inventor's Oath or Declaration

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

Section 4. Damages

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

Section 5. Post-Grant Review

This section establishes a new administrative procedure for challenging the validity of granted patents within a nine-month post-grant window, providing an early opportunity to improve the quality of patents.

The bill also changes procedures for later challenges by third parties to the validity of patents (the so-called ''inter partes reexamination'' process, under current law). These reforms add additional procedural protections to the process by converting the reexamination into an adjudicative proceeding to be known as ''inter partes review.'' Inter partes review must be completed within one year of being instituted (though this deadline can be extended by six months for good cause). The proceedings will take place before a panel of three administrative judges whose decisions are appealable directly to the Federal Circuit.

Section 6. Patent Trial and Appeal Board

This section renames the Patent Board the ''Patent Trial and Appeal Board'' and clarifies its role in administering the new proceedings established by the Act.

Section 7. Pre-Issuance Submissions by Third Parties

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

Section 8. Venue

Codifies the standard for transfers of venue established by the Federal Circuit in the case In re TS Tech USA Corp and applies it to patent cases generally. [551 F.3d 1315 (Fed. Cir. 2008).] That standard provides for transfer to the judicial district that is ''clearly more convenient'' for both the parties and witnesses. The section also clarifies that venue for litigation against the PTO is the Eastern District of Virginia, where the PTO is headquartered, rather than the District of Columbia, where it used to be based.

Section 9. Fee Setting Authority

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

Section 10. Supplemental Examination

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

Section 11. Residency Requirement for Federal Circuit Judges

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

Section 12. Micro-Entity Defined

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

Section 13. Funding Agreements

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

Section 14. Tax Strategies Deemed within Prior Art

This section ends the patentability of tax strategies. The bill, as reported, does not change the patentability of other forms of business method patents.

Section 15. Best Mode Requirement

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

Section 16. Technical Amendments

This section contains technical amendments to reorganize the patent statute.

Section 17. Clarification of Jurisdiction

This section clarifies exclusive federal jurisdiction over patent claims.

Section 18. Effective Date

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

ADMINISTRATION POSITION

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

COST

As of the publication of this Notice, no Congressional Budget Office cost estimate for S. 23 has been issued.

POSSIBLE AMENDMENTS

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

SUMMARY OF THE MANAGERS' AMENDMENT

The title is changed to the ''America Invents Act''.

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

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

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

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

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

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

A blue-slip fix to the Director's fee setting authority. The revised language identifies

with great specificity the sources of authority to impose patent and trademark user fees, in order to avoid a violation of the Origination Clause.

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

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

A PTO-approved broadening of the definition of ''microentity,'' a status that entitles applicants to reduced fees.

In the tax patents section, language is added: [(1) clarifying that the language does not bar patenting of tax software that is novel as software—i.e., where the innovation is in the software] (this may be dropped); and (2) establishing that making tax strategies unpatentable shall not be construed to imply that other business methods are patentable or valid. In Bilski v. Kappos, (2010), the Supreme Court interpreted Congress's 1999 enactment of a prior-user right that only applied against business-method patents as implying that business methods qualify as patentable subject matter under section 101, which was enacted in 1793.

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

The Schumer-Kyl business-methods proceeding, as modified to accommodate industry concerns and PTO needs. In its 1998 State Street decision, the Federal Circuit greatly broadened the patenting of business methods. Recent court decisions, culminating in last year's Supreme Court decision in Bilski v. Kappos, have sharply pulled back on the patenting of business methods, emphasizing that these ''inventions'' are too abstract to be patentable. In the intervening years, however, PTO was forced to issue a large number of business-method patents, many or possibly all of which are no longer valid. The Schumer proceeding offers a relatively cheap alternative to civil litigation for challenging these patents, and will reduce the burden on the courts of dealing with the backwash of invalid business-method patents. The proceeding has been limited since mark up so that: (1) only defendants or accused infringers may invoke the proceeding; (2) prior art is limited to old 102(a), which must be publicly available, or prior art of old 102(a) scope that shall be presumed to beat old 102(a) invention-date limits but that falls outside the old 102(b) grace period (i.e., effectively, old 102(b) prior art but limited to old 102(a)'s publicly-available prior-art scope); (3) the proceeding may not be used to challenge a patent while it is eligible for a PGR challenge (i.e., an FTF patent during the first 9 months after its issue); (4) the proceeding is available only for four years; (5) district courts decide whether to stay litigation based on the four-factor Broadcast Innovation test, and the Federal Circuit reviews stay decision on interlocutory appeal to ensure consistent application of established precedent; (5) the definition of business-method patent, which tracks the language of Class 705, is limited to data processing relating to just a financial product or service (rather than also to an enterprise).

PTO is given greater flexibility in paying and compensating the travel of APJs. A large number of APJs will need to be recruited, trained, and retained to adjudicate PGR and new IPR. This change's enhancements will be paid for out of existing funds.

The Coburn end to fee diversion. Currently, PTO fees go into a Treasury account and are only available to the Office as provided in appropriations. In the last two decades, about $800 million in PTO user fees has been diverted from PTO to other federal spending. The Coburn amendment creates a revolving fund, giving PTO direct access to its fees without the need for enactment of an appropriations act.

Budget Committee paygo language is added at the end.

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

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

In my home State of Wisconsin, we have a strong tradition of invention and innovation—from the invention of the first practical typewriter in 1869 to a cure for Rickets disease in 1925 to cutting edge drug therapies for the 21st Century. More than 50 Wisconsin based startup companies have been fueled by patents that resulted from research at the University of Wisconsin. And there are countless other Wisconsin companies that rely on patents to sustain and grow their business.

I am able to support the Patent Reform Act because of the improvements made to the bill since it was first introduced. As is the nature of compromise, I recognize that we cannot all get every change we want. I thank Senator LEAHY for making substantial changes to accommodate many of my concerns.

Specifically, I appreciate your willingness to strike a major section of the bill regarding prior user rights—which would have done serious harm to the University of Wisconsin and its patent licensing business. The bill incorporates additional changes that were important to research universities, including provisions related to venue, grace period for first inventor to file, oath, and collaborative research.

Patent protection will be stronger with the inclusion of ''could have raised'' estoppel, strong administrative estoppel, and explicit statutory authority for the Patent and Trademark Office, PTO, to reject petitions by third parties and order joinder of related parties. Improvements have also been made regarding damages. Finally, I am pleased that we were able to address the PTO's funding needs in a way that maintains Congress' duty to carefully oversee the PTO while ensuring that it has the resources necessary to issue top quality patents in a timely manner.

Again, I commend Senator LEAHY for his many years of work on this bill, and I look forward to the House taking up this legislation.

Mr. LEVIN. Mr. President, I thank my colleagues, Senator LEAHY, who is the chairman of the Judiciary Committee, and Senator GRASSLEY, who is the ranking Republican, for including in the Patent Reform Act a provision that a number of us have been working on for several years to stop the granting of tax strategy patents.

The key provision contains the text of legislation that Senators BAUCUS, GRASSLEY and I, as well as others, introduced earlier this year, S. 139, the Equal Access to Tax Planning Act, to end the troubling practice of persons seeking patents for tax-avoidance strategies. Issuing such patents perverts the Tax Code by granting what some could see as a government imprimatur of approval for questionable or illegal tax strategies, while at the same time penalizing taxpayers seeking to use legitimate strategies.

Since 1998, when Federal courts ruled that business practices were eligible for patent protection, the Patent and Trademark Office has issued more than 130 patents for tax strategies, with more than 150 applications pending. These patents are a terrible idea for two reasons.

First, they may be providing unintended support for abusive tax shelters. Some unscrupulous tax shelter promoters may claim that the patent represents an official government endorsement of their tax scheme and evidence that the scheme would withstand IRS challenge. Given the well-documented problem we have with tax avoidance in this country, allowing persons to patent tax strategies is not only a waste of government resources needed elsewhere, but an invitation to wrongdoers to misuse those government resources to promote tax avoidance.

Second, the granting of tax patents threatens to penalize taxpayers seeking to use legal tax strategies to minimize their tax bills. If a tax practitioner is the first to discover a legal advantage and secures a patent for it, that person could then effectively charge a toll for all other taxpayers to use the same strategy, even though as a matter of public policy all persons ought to be able to take advantage of the law to minimize their taxes. Companies could even patent a legal method to minimize their taxes and then

refuse to license that patent to their competitors in order to prevent them from lowering their operating costs. Tax patents could be used to hinder productivity and competition rather than foster it.

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

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

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

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

The qui tam provisions of the False Claims Act specifically allow the government to intervene and control litigation when the government has been harmed through false or fraudulent billing. The qui tam provisions of the patent law do not.

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

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

I would not want anyone watching the patent reform bill to conclude that Congress will weaken or undermine the False Claims Act qui tam statute because we have stricken a flawed qui tam provision in the patent bill. I will vigorously defend the False Claims Act and urge my colleagues to do the same. The False Claims Act is the Federal Government's strongest weapon to protecting the taxpayer dollars from fraud and abuse. It would be a serious miscalculation for anyone to imply or attempt to characterize my support for the removal of the patent qui tam as a starting point for striking or reforming the False Claims Act qui tam provisions.

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

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

In section 2(a) of the bill, the definition of ''effective filing date'' in section 100(i) has been modified in several ways. In subparagraph (A), the word ''actual'' is added before ''filing date.'' When the word ''filing date'' is used in current law, it is sometimes used to mean the actual filing date and sometimes used to mean the effective filing date. Since section 100 is a definitional section, it should be clear in its language, and thus the word ''actual'' is added in order to avoid a lingering ambiguity. Also, the language of subparagraph (B) is streamlined to clarify that a patent gets the benefit or priority of an earlier application if it is entitled to such benefit or priority as to the invention in question under the relevant code sections, which require satisfaction of the requirements of section 112(a), a specific reference to the prior application, and copendency.

The new language makes it clear that the definition of effective-filing date does not create new rules for entitlement to priority or the benefit of an earlier filing date. Rather, the definition simply incorporates the rules created by existing code sections. Also, since those rules expressly require an enabling disclosure, there is no need to separately require such disclosure in this definition, and thus the reference at the end of subparagraph (B) to the first paragraph of section 112 that appeared in earlier versions of the bill is dropped. Keeping that citation would have created a negative implication that unless such a requirement of section 120 was expressly incorporated into the definition of effective-filing date, then such requirement need not be satisfied in order to secure the benefit of an earlier effective-filing date.

It should be noted that, for purposes of subparagraph (A) of section 100(i)(1), a patent or application for patent contains a claim to an invention even if the claim to the particular invention was added via an amendment after the application was filed. Of course, such an amendment may not introduce new matter into the application—it may only claim that which was disclosed in the application.

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

Section 2(b) of the bill recodifies section 102 of title 35. In the present bill, this recodification is reorganized by

consolidating all exceptions to the definition of prior art in section 102(b)—and excluding from subsection (b) provisions that do not define exceptions to prior art, such as the CREATE Act and the definition of the effective date of patents and applications cited as prior art. Thus what previously appeared as section 102(a)(1)(B) in earlier versions of the bill is now 102(b)(1)(A), and former paragraphs (3) and (4) of subsection (b) are now subsections (c) and (d), respectively.

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

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

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

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

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

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

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

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

Wertheim, however, was already almost completely overruled by the American Inventors Protection Act of 1999, Public Law 106–113, which, by making any published application prior art, effectively displaced Wertheim's requirement that the application have been capable of becoming a patent on the day that it was filed. Two recent BPAI decisions, Ex parte Yamaguchi, 88 U.S.P.Q.2d 1606, BPAI 2008, and Ex parte Jo Anne Robbins, 2009 WL 3490271, BPAI October 26, 2009, confirm this overruling, holding that any application that is ultimately published is prior art as of its filing date, and that provisional applications—which typically cannot become patents as filed—also are prior art. See Robbins at page *4, noting that ''[i]n our opinion, a published patent application which is statutorily destined to be published constitutes prior art for all that it discloses on its earliest filing date,'' and Yamaguchi at page 9, noting that ''a provisional application—like a regular utility application—constitutes prior art for all that it teaches,'' and the same case at page 13, Judge Torczon concurring that ''[i]f [the majority] is correct, In re Wertheim is no longer tenable authority.'' Moreover, these BPAI decisions' holding that a patent has a patent-defeating effect as of the filing date of the provisional application to which it claims priority was recently affirmed by the Federal Circuit in In re Giacomini, 612 F.3d 1380 (Fed. Cir. 2010).

The caselaw also teaches that parent applications to the published application set the effective date of the prior art if they describe the invention and the invention is enabled before the filing of the patent under review, even if that prior-art description, standing alone, may not be adequate to show enablement. This point is illustrated by Application of Samour, 571 F.2d 559, CCPA 1978, which holds that prior art must be enabled before the effective filing date of the application or patent under review, but this enablement need not be disclosed at the same place and time as the primary reference relied on as prior art—and can even come later than the primary reference, so long as it still comes before the effective-filing date of the application under review. Samour at page 563, notes that:

> we do not believe that a reference showing that a method of preparing the claimed subject matter would have been known by, or would have been obvious to, one of ordinary skill in the pertinent art, must antedate the primary reference. The critical issue under 35 U.S.C. §102(b) is whether the claimed subject matter was in possession of the public more than one year prior to applicant's filing date, not whether the evidence showing such possession came before or after the date of the primary reference.

Technically, In re Wertheim still controls the prior-art effect of the limited universe of applications that are not published before they are patented, but the Office's examination guidelines ignore even this vestigial effect, and extend prior-art effect to all prior applications that describe an invention as of the date of their filing. MPEP 21360.03, part IV, which notes that:

> For prior art purposes, a U.S. patent or patent application publication that claims the benefit of an earlier filing date under 35 U.S.C. 120 of a prior nonprovisional application would be accorded the earlier filing date as its prior art date under 35 U.S.C. 102(e), provided the earlier-filed application properly supports the subject matter relied upon in any rejection in compliance with 35 U.S.C. §112, first paragraph.

A prior-art parent application, however, must be copendent, have some continuity of disclosure, and be specifically referred to in the patent or published application. The continuous disclosure must be a description of the subject matter that is relied on as prior art. That description can become narrower in the intervening applications. But so long as there is still some description of the subject matter in the intervening applications, the Office can rely on an earlier application's fuller description as prior art.

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

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

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

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

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

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

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

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

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

Williamson construed the phrase ''carrying on propaganda, or otherwise attempting to influence legislation.''

In other words, the Judiciary Committee's design in adding the 2007 amendment to section 102(a)(1), as expressed in the relevant committee report, is consistent with the unanimous judicial construction of the same turn of phrase. It appears that every court that has considered this question agrees with the committee's understanding of the meaning of this language.

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

Whether an invention has been made available to the public is the same inquiry that is undertaken under existing law to determine whether a document has become publicly accessible, but is conducted in a more generalized manner to account for disclosures of information that are not in the form of documents.

> A document is publicly accessible if it has been disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art, exercising reasonable diligence, can locate it and recognize and comprehend therefrom the essentials of the claimed invention without need of further research or experimentation.

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

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

The present bill's elimination of the patent forfeiture doctrines in favor of a general public availability standard also limits and reconciles the various purposes that previously have been ascribed to section 102's definition of prior art. Current 102(b), which imposes the forfeiture doctrines, has been described as being ''primarily concerned

with the policy that encourages an inventor to enter the patent system promptly,'' a quotation from *Woodland Trust* v. *Flowertree Nursery, Inc.*, 148 F.3d 1368, 1370, Fed. Cir. 1998. And the ''overriding concern of the on-sale bar'' has been described as ''an inventor's attempt to commercialize his invention beyond the statutory term,'' as stated in *Netscape Communications Corp.* v. *Konrad*, 295 F.3d 1315, 1323, Fed. Cir. 2002.

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

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

The present bill's new section 102(a) precludes extreme results such as these and eliminates the use of the definition of prior art to pursue varied goals such as encouraging prompt filing or limiting commercialization. Instead, the new definition of prior art will serve only one purpose: ''to prevent the withdrawal by an inventor of that which was already in the possession of the public,'' as noted in *Bruckelmyer* v. *Ground Heaters, Inc.*, 335 F.3d 1374, 1378, Fed. Cir. 2006. The new definition is ''grounded on the principle that once an invention is in the public domain, it is no longer patentable by anyone,'' as stated in *SRI International, Inc.* v. *Internet Security Systems, Inc.*, 511 F.3d 1186, 1194, Fed. Cir. 2008.

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

> whether the use of an invention is public or private does not necessarily depend upon the number of persons to whom its use is known. If an inventor, having made his device, gives or sells it to another, to be used by the donee or vendee, without limitation or restriction, or injunction of secrecy, and it is so used, such use is public, even though the use and knowledge of the use may be confined to one person.

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

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

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

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

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

Second, a general public-availability standard is a necessary accompaniment to this bill's elimination of geographic restrictions on the definition of prior art. As unwieldy as the current rules may be, at least those rules allow only those secret sales and private third-party uses that occur in the United States to constitute prior art. Under the new regime, however, sales and uses occurring overseas will also constitute prior art. A sale or use that discloses an invention to the public is relatively hard to falsify. If the invention truly was made available to the public by sale or use, independent validation of that sale or use should be readily available. By contrast, the existence of a secret offer for sale, or a nondisclosing third-party use, largely will turn on the affidavits or statements of the parties to such an occurrence. Unfortunately, some foreign countries continue to have weak business ethics and few scruples about bending the rules to favor domestic interests over foreign competitors. A system that allowed foreign interests to invalidate a U.S. patent simply by securing statements from individuals that a secret offer for sale or non-disclosing third-party use of the invention had occurred in a foreign country would place U.S. inventors at grave risk of having their inventions stolen through fraud. That is not a risk that Congress is willing to accept.

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

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

Section 2(e)(2) of the bill strikes the citation to section 115 from section 111(b)(8)'s enumeration of application requirements that do not apply to provisionals. This conforming change is made because, in section 3 of the bill, section 115 itself has been amended so that it only applies to nonprovisionals. In other words, there is no longer any need for section 111(b)(8) to except out the oath requirement because that requirement no longer extends to provisionals. There is no need for an exception to a requirement that does not apply.

Sections 2(h) and (i) of the present bill make a number of changes to the previous bills' treatment of remedies for derivation. These changes are made largely at the Patent Office's suggestion. In particular, the new section 135 proceeding is simplified, the Office is given authority to implement the proceeding through regulations, the Office is permitted to stay a derivation proceeding pending an ex parte

reexamintion, IPR, or PGR for the earlier-filed patent, and the Office is permitted but not required to institute a proceeding if the Office finds substantial evidence of derivation. In lieu of a section 135 proceeding, parties will be allowed to challenge a derived patent through a civil action under a revised section 291.

New section 2(k) of the bill eliminates the qui tam remedy for false marking, while allowing a party that has suffered a competitive injury as a result of such marking to seek compensatory damages. Section 292 of title 35 prohibits false patent marking and imposes a penalty of $500 for each such offense. Under current law, subsection (b) allows ''any person'' to sue for the penalty, and requires only that one half of the proceeds of the suit shall go to the United States. Current subsection (b) is, in effect, a qui tam remedy for false marking, but without any of the protections and government oversight that normally accompany qui tam actions.

The changes made by section 2(k) of the bill would allow the United States to continue to seek the $500-per-article fine, and would allow competitors to recover in relation to actual injuries that they have suffered as a result of false marking, but would eliminate litigation initiated by unrelated, private third parties.

In recent years, patent attorneys have begun to target manufacturers of high-volume consumer products with section 292(b) actions. Since the fine of up to $500 is assessed for each article that is falsely marked, such litigants have an incentive to target products that are sold in high volume. Though one might assume that section 292 is targeted at parties that assert fictitious patents in order to deter competitors, such a scenario is almost wholly unknown to false-marking litigation. False-marking suits are almost always based on allegations that a valid patent that did cover the product has expired, but the manufacturer continued to sell products stamped with the patent, or allegations that an existing patent used to mark products is invalid or unenforceable, or that an existing and valid patent's claims should not be construed to cover the product in question.

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

Indeed, it is not entirely clear how consumers would suffer any tangible harm from false marking that is distinct from that suffered when competitors are deterred from entering a market. Patent marking's primary purpose is to inform competitors, not consumers, that a product is patented. I doubt that consumers would take any interest, for example, in whether a disposable plastic cup is subject to a patent, to take one case recently decided by the courts. Even less clear is how the consumer would be harmed by such marking, absent a deterrence of competition. Current section 292(b) creates an incentive to litigate over false marking that is far out of proportion to the extent of any harm actually suffered or the culpability of a manufacturer's conduct.

To the extent that false patent marking deters competition, the bill's revised section 292(b) allows those competitors to sue for relief. This remedy should be more than adequate to deter false marking that harms competition. And to the extent that false marking somehow harms the public in a manner distinct from any injury to competitors and competition, revised section 292(a) would allow the United States to seek relief on behalf of the public. The Justice Department can be expected to be more judicious in its use of this remedy than is a private qui tam litigant seeking recovery that will benefit him personally. These revisions to section 292 should restore some equilibrium to this field of litigation.

Finally, because the Federal Circuit's recent decision in *Forest Group, Inc.* v. *Bon Tool Co.*, 590 F.3d 1295, Fed Cir. 2009, appears to have created a surge in false-marking qui tam litigation, the changes made by paragraph (1) of section 2(k) of the bill are made fully retroactive by paragraph (2). Because the courts have had difficulty properly construing effective-date language in recent years, paragraph (2) employs the language of section 7(b) of Public Law 109–366, the Military Commissions Act of 2006, which recently was given an authoritative construction in *Boumediene* v. *Bush*, 476 F.3d 981, 987, D.C. Cir. 2007. As that court noted when construing effective-date language identical to that of section 2(k)(2):

> Section 7(b) could not be clearer. It states that ''the amendment made by subsection (a)''—which repeals habeas jurisdiction—applies to ''all cases, without exception'' relating to any aspect of detention. It is almost as if the proponents of these words were slamming their fists on the table shouting ''When we say 'all,' we mean all—without exception!''

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

Section 2(l) of the present bill modifies the statute of limitations for initiating a proceeding to exclude an attorney from practice before the Office. Under this provision, a section 32 proceeding must be initiated either within 10 years of when the underlying misconduct occurred, or within 1 year of when the misconduct is reported to that section of PTO charged with conducting section 32 proceedings, whichever is earlier.

It is not entirely clear how the time limitation applies under present law. A recent D.C. Circuit case, *3M* v. *Browner*, 17 F.3d 1461 D.C. Cir. 1994, effectively makes the 5-year statute of limitations that generally applies to enforcement of civil penalties, at 28 U.S.C. §2462, run from the date when a violation occurred, rather than from the date when the enforcement agency first learned of the violation or reasonably could have learned of it. A recent Federal Circuit case, *Sheinbein* v. *Dudas*, 465 F.3d 493, 496, Fed. Cir. 2006, applies the section 2462 5-year limitation to section 32 proceedings, and applies 3M v. Browner's general rule, as described by Sheinbein, that ''[a] claim normally accrues when the factual and legal prerequisites for filing suit are in place.'' However, another court case, *S.E.C.* v. *Koenig*, 557 F.3d 736, 739, 7th Cir. 2009, has recently held that when a fraud has occurred, section 2462 only runs from when the fraud ''could have been discovered by a person exercising reasonable diligence.''

Although the Federal Circuit appears to be inclined to follow 3M v. Browner, it is not entirely clear that it would reject Koenig's exception for cases of fraud, Koenig having been decided subsequently to Sheinbein. In any event, neither rule would be entirely satisfactory for section 32 proceedings. On the one hand, a strict five-year statute of limitations that runs from when the misconduct occurred, rather than from when it reasonably could have been discovered, would appear to preclude a section 32 proceeding for a significant number of cases of serious misconduct, since prosecution misconduct often is not discovered until a patent is enforced. On the other hand, a fraud exception that effectively tolls the statute of limitations until the fraud reasonably could have been discovered would be both overinclusive and underinclusive. Such tolling could allow a section 32 proceeding to be commenced more than two decades after the attorney's misconduct occurred. This is well beyond the time period during which individuals can reasonably be expected to maintain an accurate recollection of events and motivations. And yet, a fraud exception would also be underinclusive, since there is a substantial range of misconduct that PTO should want to sanction that does not rise to the level of fraud, which requires reliance on the perpetrator's misrepresentations.

Section 2(1) of the bill adopts neither 3M v. Browner nor Koenig's approach, but instead imposes an outward limit of 10 years from the occurrence of the misconduct for the initiation of a section 32 proceeding. A 10-year limit

would appear to allow a proceeding for the vast bulk of misconduct that is discovered, while also staying within the limits of what attorneys can reasonably be expected to remember.

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

Section 2(m) of the present bill requires the Small Business Administration to report to Congress on the expected impact of the first-to-file system on small businesses. On the one hand, some parties have suggested that the first-to-file system will be relatively burdensome for small businesses because it will require patent applicants to file their applications earlier, and will require that more applications be filed for a complex invention. On the other hand, others have suggested that the first-to-file system will be far simpler and cleaner to administer, that the ability to file provisional applications mitigates the burden of filing earlier, and that by inducing American patent applicants to file earlier, the first-to-file system is more likely to result in American patents that are valid and have priority elsewhere in the industrialized world.

Under current law, even if an American small business or independent inventor is legally sophisticated enough to maintain the type of third-party validation that will preserve his priority under the first-to-invent system, if that American inventor relies on first-to-invent rules to delay filing his application, he runs a serious risk that someone in another country will file an application for the same invention before the American does. Because the rest of the world uses the first-to-file system, even if the American inventor can prove that he was the first to have possession of the invention, the foreign filer would obtain the patent rights to the invention everywhere outside of the United States. In today's world, patent rights in Europe and Asia are valuable and important and cannot be ignored.

Section 2(n) of the bill requires the Director to report on the desirability of authorizing prior-user rights, particularly in light of the adoption of a first-to-file system.

In section 2(o) of the bill, the time for implementing the first-to-file system has been moved to 18 months, so that Congress might have an opportunity to act on the conclusions or recommendations of the reports required by subsections (m) and (n) before first-to-file rules are implemented.

Subsection (o) generally adopts the Office's preferred approach to transitioning to the first-to-file system. Under this approach, if an application contains or contained a claim to an invention with an effective-filing date that is 18 months after the date of enactment of the Act, the entire application is subject to the first-to-file regime. As a practical matter, this allows applicants to flip their applications forward into the first-to-file system, but prevents them from flipping backward into the first-to-invent universe once they are already subject to first-to-file rules.

New section 100(i)(2) of title 35 ensures that reissues of first-to-invent patents will remain subject to first-to-invent rules. Also, continuations of first-to-invent applications that do not introduce new matter will remain subject to first-to-invent rules. This last rule is important because if a continuation filed 18 months after the enactment of the Act were automatically subject to first-to-file rules, even if it introduced no new matter, the Office likely would see a flood of continuation filings on the eve of the first-to-file effective date. Under subsection (o), an applicant who wants to add to his disclosure after this section's 18-month effective date can choose to pull the whole invention into the first-to-file universe by including the new disclosure in a continuation of his pending first-to-invent application, or he can choose to keep the pending application in the first-to-file world by filing the new disclosure as a separate invention.

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

In section 3(a) of the present bill, the language of section 115 of title 35, the inventor's oath requirement, has been tidied up from that appearing in earlier versions of the bill. A grammatical error is corrected, an unnecessary parenthetical is struck, and stylistic changes are made.

In the new section 115(g), a paragraph (2) has been added that allows the Director to require an applicant claiming the benefit of an earlier-filed application to include copies of previous inventor's oaths used in those applications. The Office cannot begin examining an application until it knows who those inventors are, since their identity determines which prior art counts as prior art against the claimed invention. However, a later-filed application is not currently required to name inventors. Such information is included in an application data sheet, but such data sheets are not always filed—the requirement is not statutory. Moreover, a later-filed application often will cite to multiple prior applications under section 120, each of which may list several inventors. Thus unless the Office can require the applicant to identify which oath or other statement applies to the later-filed application, the Office may not be able to figure out who the inventor is for that later application.

In new section 115(h)(2), the present bill replaces the word ''under'' with ''meeting the requirements of'' in order to conform to the formulation used later in the same sentence.

In section 3(a)(3) of the bill, the changes to section 111(a) are modified to reflect that either an oath or declaration may be submitted.

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

Turning to the issue of damages, at the end of the 110th Congress, I introduced a patent reform bill, S. 3600, that proposed restrictions on the use of some of the factors that are used to calculate a reasonable royalty. Discussions with patent-damages experts had persuaded me that several of the metrics that are employed by litigants are unsound, unduly manipulable and subjective, and prone to producing excessive awards. The most significant of the restrictions that I proposed in S. 3600 were limits on the use of supposedly comparable licenses for other patents to value the patent in suit, and limits on the use of standardized measures such as the so-called rule of thumb. These proposals are discussed in my statement accompanying the introduction of S. 3600, at 154 CONGRESSIONAL RECORD S9982, S9984-85, daily ed. September 27, 2008. I argued at the time that the only way to ensure that courts and juries would stop using these metrics ''is for Congress to tell the courts to disallow them.''

It appears that I underestimated the courts' ability and willingness to address these problems on their own. And I certainly did not anticipate the speed with which they might do so. Three recent decisions from the Federal Circuit

have sharply restricted the use of licenses for supposedly comparable patents to value the patent in suit. *Lucent Technologies, Inc.* v. *Gateway, Inc.*, 580 F.3d 1301, 1328, Fed. Cir. 2009, makes clear that mere ''kinship'' in a field of technology is not enough to allow use of evidence of licenses for other patents. Lucent bars the use of other-patent licenses where there is no showing of the significance of such other patented inventions to their licensed products, or no showing of how ''valuable or essential'' those other licensed inventions are. In a similar vein, *ResQNet.com, Inc.* v. *Lansa, Inc.*, 594 F.3d 860, 870, 872, Fed. Cir. 2010, condemns the use of ''unrelated'' licenses for other patents as a measure of value and makes clear that a supposedly comparable license must have ''an economic or other link to the technology in question.'' And *Wordtech Systems, Inc.* v. *Integrated Network Solutions, Inc.*, 609 F.3d 1308, 1320, Fed. Cir. 2010, recently reiterated that ''comparisons of past patent licenses to the infringement must account for the technological and economic differences between them.''

And just two months ago, I was particularly pleased to see the Federal Circuit announce, in *Uniloc USA, Inc.* v. *Microsoft Corp.*,_____ F.3d_____, 2011 WL 9738, Fed. Cir. 2011, that the ''court now holds as a matter of Federal Circuit law that the 25 percent rule of thumb is a fundamentally flawed tool for determining a baseline royalty rate in a hypothetical negotiation.'' The court ruled that testimony based on the rule of thumb is inadmissible under the Daubert standard.

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

The Lucent case that I quoted earlier also struck down a damages award that was based on the entire market value of the infringing product. The court did so because there was no substantial evidence that the patented invention was the basis for consumer demand for the product. See Lucent, 580 F.3d at 1337–38. This holding addresses one of the principal complaints that I have heard about patent-damages calculations. And it effects a reform that Congress itself cannot enact. Existing law already required that the invention be the basis for consumer demand before damages can be assessed on the whole product, and the law already required parties to support their contentions with legally sufficient evidence. Congress can change the underlying law, but it cannot make the courts enforce it. The Lucent case did so.

The limits that I had proposed in S. 3600 on the use of metrics such as the rule of thumb, and that bill's restrictions on the use of licenses for comparable patents to value the patent in suit, are rendered superfluous by these intervening judicial decisions. The present bill appropriately leaves patent-damages law to common law development in the courts.

The present bill also makes no changes to the standard for awards of treble damages. As noted in the Minority Report to the committee report for the 2009 bill, Senate Report 111-18 at pages 58-60, that bill's grounds for allowing awards of treble damages were exceedingly narrow, and its safe harbors were overly broad. That bill would have created immunity from willfulness damages even for an infringer who was fully aware of a patent and had no real doubts as to its validity. It also created immunity, in some cases, even for infringers who had engaged in wanton conduct such as deliberate copying.

Awards of enhanced damages play an important role in the U.S. patent system. It is not uncommon that a manufacturer will find itself in a situation where it feels great pressure to copy a competitor's patented invention. In a typical scenario, the sales staff report that they are losing sales because the competitor's product has a particular feature. The manufacturer's engineers discover that the feature is protected by a valid patent, and they find that they are unable to produce the same feature without infringing the patent. The company then has two choices. It can choose to continue to try to reproduce or substitute for the patented feature, and as it does so, continue to lose market share, and in some cases, lose convoyed sales of associated products or services. Or it can choose to infringe the competitor's patent.

Treble damages are authorized in order to deter manufacturers from choosing the second option. Absent the threat of treble damages, many manufacturers would find that their most financially reasonable option is simply to infringe patents. Lost-profits damages are often hard to prove or unavailable. The patent owner is always entitled to a reasonable royalty, but under that standard, the infringer often can keep even some of the profits produced by his infringing behavior. Without treble damages, many companies would find it economically rational to infringe valid patents. Section 284's authorization of treble damages is designed to persuade these companies that their best economic option is to respect valid patents.

If patents were routinely ignored and infringed, the patent system would cease to be of use to many companies and other entities that do some of our nation's most important research and development. These companies are profitable because people respect their patents and voluntarily pay a license. They would not be viable enterprises if they always had to sue in order to get paid for others' use of their patented inventions.

By dropping the 2009 bill's restrictions on treble-damages awards, the present bill preserves these awards' role as a meaningful deterrent to reckless or wanton conduct. Ultimately, we want a treble-damages standard that creates an environment where the most economically reasonable option for a party confronted by a strong patent is to take a license—and where no one thinks that he can get away with copying.

Section 4(c) of the present bill adds a new section 298 to title 35. This section bars courts and juries from drawing an adverse inference from an accused infringer's failure to obtain opinion of counsel as to infringement or his failure to waive privilege and disclose such an opinion. The provision is designed to protect attorney-client privilege and to reduce pressure on accused infringers to obtain opinions of counsel for litigation purposes. It reflects a policy choice that the probative value of this type of evidence is outweighed by the harm that coercing a waiver of attorney-client privilege inflicts on the attorney-client relationship. Permitting adverse inferences from a failure to procure an opinion or waive privilege undermines frank communication between clients and counsel. It also feeds the cottage industry of providing such opinions—an industry that is founded on an unhealthy relationship between clients and counsel and which amounts to a deadweight loss to the patent system. Some lawyers develop a lucrative business of producing these opinions, and inevitably become aware that continued requests for their services are contingent on their opinions' always coming out the same way—that the patent is invalid or not infringed. Section 298 reflects legislative skepticism of the probative value of such opinions.

Section 298 applies to findings of both willfulness and intent to induce infringement—and thus legislatively abrogates *Broadcom Corp.* v. *Qualcomm Inc.*, 543 F.3d 683, Fed. Cir. 2008. That case held, at page 699, that:

> Because opinion-of-counsel evidence, along with other factors, may reflect whether the accused infringer 'knew or should have known' that its actions would cause another to directly infringe, we hold that such evidence remains relevant to the second prong of the intent analysis. Moreover, we disagree with Qualcomm's argument and further hold that the failure to procure such an opinion may be probative of intent in this context.

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

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

In addition, the bill creates a new post-grant review in which a patent

can be challenged on any validity ground during the first nine months after its issue. Challengers who use this proceeding will be estopped in litigation from raising only those issues that were raised and decided in the post-grant review, rather than all issues that could have been raised, the standard employed in inter partes reexamination.

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

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

The present bill preserves the agreement reached in the 2009 Judiciary Committee mark up to maintain the current scope of inter partes proceedings: only patents and printed publications may be used to challenge a patent in an inter partes review.

One important structural change made by the present bill is that inter partes reexamination is converted into an adjudicative proceeding in which the petitioner, rather than the Office, bears the burden of showing unpatentability. Section 5(c) of the previous bill eliminated language in section 314(a) that expressly required inter partes reexamination to be run as an examinational rather than adjudicative proceeding, but failed to make conforming changes eliminating provisions in section 314(b) that effectively would have required inter partes reexamination to still be run as an examinational proceeding. In the present bill, section 316(a)(4) gives the Office discretion in prescribing regulations governing the new proceeding. The Office has made clear that it will use this discretion to convert inter partes into an adjudicative proceeding. This change also is effectively compelled by new section 316(e), which assigns to the petitioner the burden of proving a proposition of unpatentability by a preponderance of the evidence. Because of these changes, the name of the proceeding is changed from ''inter partes reexamination'' to ''inter partes review.''

The present bill also makes changes to the petition requirements that appear in new sections 312(a)(5) and 322(a)(5). These sections have been modified to require petitioners to provide to the patent owner the same identification of any real parties in interest or privies that is provided to the Office. The Office anticipates that patent owners will take the initiative in determining whether a petitioner is the real party in interest or privy of a party that is barred from instituting a proceeding with respect to the patent.

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

Many of the procedural limits added to inter partes and post-grant review by the present bill are borrowed from S. 3600, the bill that I introduced in the 110th Congress. My comments accompanying the introduction of that bill, at 154 CONGRESSIONAL RECORD S9982–S9993, daily ed. Sept. 27, 2008, are relevant to those provisions of the present bill that are carried over from S. 3600, particularly to the extent that the comments disclose understandings reached with the Patent Office, conscious use of terms of art, or the reasoning behind various provisions. Relevant passages include page S9987's discussion of the use of the adjudicative or oppositional model of post-grant review and estoppel against parties in privity, and page S9988's discussion of what is now section 324(b)'s additional threshold for instituting a post-grant review, the expectation that the Director will identify the issues that satisfied the threshold for instituting an inter partes or post-grant review, the meaning of ''properly filed'' when used in the joinder provisions in sections 315(c) and 325(c), the authorization to consolidate proceedings in sections 315(d) and 325(d), and the standards for discovery in sections 316(a)(6) and 326(a)(5). Also relevant is page S9991's discussion of the excesses and effects of inequitable-conduct litigation, which informs this bill's provisions relating to that doctrine.

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

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

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

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

Section 325(b) provides that if a patent owner sues to enforce his patent within three months after it is granted, a court cannot refuse to consider a motion for a preliminary injunction on the basis that a post-grant review has been requested or instituted. A patent owner who sues during this period is likely to be a market participant who already has an infringer intruding on his market, and who needs an injunction in order to avoid irreparable harm.

This provision strengthens and carries over to post-grant review the rule of *Procter & Gamble Co.* v. *Kraft Foods Global, Inc.*, 549 F.3d 842, Fed. Cir. 2008.

Sections 315(c) and 325(c) allow joinder of inter partes and post-grant reviews. The Office anticipates that joinder will be allowed as of right—if an inter partes review is instituted on the basis of a petition, for example, a party that files an identical petition will be joined to that proceeding, and thus allowed to file its own briefs and make its own arguments. If a party seeking joinder also presents additional challenges to validity that satisfy the threshold for instituting a proceeding, the Office will either join that party and its new arguments to the existing proceeding, or institute a second proceeding for the patent. The Director is given discretion, however, over whether to allow joinder. This safety valve will allow the Office to avoid being overwhelmed if there happens to be a deluge of joinder petitions in a particular case.

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

The second sentence of section 325(d) complements the protections against abuse of ex parte reexamination that are created by sections 315(e) and 325(e). The estoppels in subsection (e) will prevent inter partes and post-grant review petitioners from seeking ex parte reexamination of issues that were raised or could have been raised in the inter partes or post-grant review. The Office has generally declined to apply estoppel, however, to an issue that is raised in a request for inter partes reexamination if the request was not granted with respect to that issue. Under section 325(d), second sentence, however, the Office could nevertheless refuse a subsequent request for ex parte reexamination with respect to such an issue, even if it raises a substantial new question of patentability, because the issue previously was presented to the Office in the petition for inter partes or post-grant review.

Under paragraph (1) of sections 315(e) and 325(e), a party that uses inter partes or post-grant review is estopped from raising in a subsequent PTO proceeding any issue that he raised or reasonably could have raised in the post-grant or inter partes review. This effectively bars such a party or his real parties in interest or privies from later using inter partes review or ex parte reexamination against the same patent, since the only issues that can be raised in an inter partes review or ex parte reexamination are those that could have been raised in the earlier post-grant or inter partes review. The Office recognizes that it will need to change its regulations and require that ex parte reexamination requesters identify themselves to the Office in order for the Office to be able to enforce this new restriction.

The present bill also incorporates S. 3600's extension of the estoppels and other procedural limits in sections 315 and 325 to real parties in interest and privies of the petitioner. As discussed at 154 CONGRESSIONAL RECORD S9987, daily ed. Sept. 27, 2008, privity is an equitable rule that takes into account the ''practical situation,'' and should extend to parties to transactions and other activities relating to the property in question. Ideally, extending could-have-raised estoppel to privies will help ensure that if an inter partes review is instituted while litigation is pending, that review will completely substitute for at least the patents-and-printed-publications portion of the civil litigation. Whether equity allows extending privity estoppel to codefendants in litigation, however, will depend in large measure upon the actions of the patent owner, and whether he has made it reasonably and reliably clear which patent claims he is asserting and what they mean. If one defendant has instituted an inter partes review, but other defendants do not have an opportunity to join that review before it becomes reasonably clear which claims will be litigated and how they will be construed, it would be manifestly unfair to extend privity estoppel to the codefendants.

The Office also has the authority to address such scenarios via its authority under section 316(a)(5), which gives the Office discretion in setting a time limit for allowing joinder. The Office has made clear that it intends to use this authority to encourage early requests for joinder and to discourage late requests. The Office also has indicated that it may consider the following factors when determining whether and when to allow joinder: differences in the products or processes alleged to infringe; the breadth or unusualness of the claim scope that is alleged, particularly if alleged later in litigation; claim-construction rulings that adopt claim interpretations that are substantially different from the claim interpretation used in the first petition when that petition's interpretation was not manifestly in error; whether large numbers of patents or claims are alleged to be infringed by one or more of the defendants; consent of the patent owner; a request of the court; a request by the first petitioner for termination of the first review in view of strength of the second petition; and whether the petitioner has offered to pay the patent owner's costs.

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

Sections 316(a)(12) and 326(a)(11) provide that inter partes and post-grant reviews must be completed within 12 months of when the proceeding is instituted, except that the Office can extend this deadline by 6 months for good cause. Currently, inter partes reexaminations usually last for 3 to 5 years. Because of procedural reforms made by the present bill to inter partes proceedings, the Patent Office is confident that it will be able to complete these proceedings within one year. Among the reforms that are expected to expedite these proceedings are the shift from an examinational to an adjudicative model, and the elevated threshold for instituting proceedings. The elevated threshold will require challengers to front load their case. Also, by requiring petitioners to tie their challenges to particular validity arguments against particular claims, the new threshold will prevent challenges from ''mushrooming'' after the review is instituted into additional arguments employing other prior art or attacking other claims.

Although sections 316 and 326 do not regulate when and how petitioners will be allowed to submit written filings once a review is instituted, the Office has made clear that it will allow petitioners to do so via the regulations implementing the proceedings. Sections 316 and 326 do clearly allow petitioners to obtain some discovery and to have an oral hearing. Obviously, it would make no sense to do so if petitioners were not also allowed to submit written arguments. The bill conforms to the Office's preference, however, that it be given discretion in determining the procedures for written responses and other filings, in order to avoid the formalism of current chapter 31, which adds substantially to the delays in that proceeding.

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

Sections 5(c)(2)(C) and 5(c)(3) of the bill provide for a transition from current inter partes reexamination to new inter partes review. To protect the Office from being overwhelmed by the

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

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

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

Finally, section 5(h)(2) of the bill addresses an issue raised by a recent publication, Charles E. Miller & Daniel P. Archibald, The Destructive Potential of the Senate Version of the Proposed Patent Reform Act of 2010: The Abolition of de novo Review in Ex parte Patent Reexaminations (circulated April 16, 2010). This article criticizes the draft managers' amendment that Senators LEAHY and SESSIONS circulated in March 2010 on the ground that it eliminates authority for a patent owner to have relief by civil action under section 145 from an adverse decision in the BPAI on review of an ex parte reexamination. It is fairly apparent, however, that this authority was intended to be eliminated by the amendments made by section 4605 of the American Inventors Protection Act of 1999, Public Law 106–113, to sections 134 and 141 of title 35. The 2010 managers' amendment simply maintained the AIPA's changes to sections 134 and 141.

The AIPA neglected, however, to eliminate a cross reference to section 145 in section 306 of title 35, which delineates the appeals available from ex parte reexaminations. The maintenance of this cross reference in section 306 created an ambiguity as to whether the AIPA did, in fact, eliminate a patent owner's right to seek remedy in the district court under section 145 from an adverse BPAI decision on review of an ex parte reexamination. See *Sigram Schindler Beteiligungsgesellschaft mbH* v. *Kappos*, 93 USPQ2d 1752, E.D. Va. 2009, (Ellis, J.), notes that ''the fact that §306 continues to cross-reference §141 to 145 following the AIPA's enactment appears to be in tension with the AIPA amendment to §141.''

Section 5(h)(2) of the present bill eliminates this ambiguity by striking the citation to section 145 from section 306 of title 35.

Section 6 of the bill includes all provisions of the bill addressing the jurisdiction of the Patent Trial and Appeal Board and administrative and judicial appeals. In section 6(a), the recodification of section 6 of title 35 is modified so that all members of the PTAB can participate in all proceedings. Also, subsection (d) is added to the recodification of section 6 of title 35. By omitting this provision, the 2009 bill would have effectively repealed the APJ ''appointments fix'' that had been enacted in 2008.

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

In section 6(c)(2) of the bill, section 1295(a)(4)(A) of title 28 is modified to authorize appeals of reexaminations and reviews. Interestingly, current 1295(a)(4)(A) only gives the Federal Circuit jurisdiction over appeals from applications and interferences. It appears that Congress never gave the Federal Circuit jurisdiction over appeals from reexaminations when it created those proceedings. The language of subparagraph (A) is also generalized and clarified, recognizing that the details of what is appealable will be in sections 134 and 141. Also, for logical consistency, language is added to subparagraph (A) making clear that section 145 and 146 proceedings are an exception to the Federal Circuit's otherwise exclusive appellate jurisdiction over applications and interferences under that subparagraph.

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

In the effective-date provision at the end of section 6, various existing authorities are extended so that they may continue to apply to inter partes reexaminations commenced under the old system, and the apparent gap in current section 1295(a)(4)(A)'s authorization of jurisdiction is immediately filled with respect to all inter partes and ex parte reexaminations.

In section 7, the present bill makes several PTO-recommended changes to previous bill versions' authorization to make preissuance submissions of prior art. In paragraph (1) of new section 122(e) of title 35, the word ''person'' has been replaced with ''third party,'' so that submissions may only be submitted by third parties. This addresses the Office's concern that applicants might otherwise use section 122(e) to submit prior art and thereby evade other examination disclosure requirements.

In subparagraph (A) of section 122(e)(1), the word ''given'' has been added. This has the effect of including email notices of allowances.

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

Also in clause (i) of section 122(e)(1)(B), the words ''by the Office'' are added to ensure that only publication by the United States Patent and Trademark Office begins the period for

making pre-issuance submissions. The Office sought this change because a foreign publication can be deemed a publication under section 122, and the Office wants to ensure that it is only required to collect third-party submissions for an application if that application is actually filed in the United States.

Section 8 of the present bill omits provisions appearing in prior bills that would have created an expanded right to an interlocutory appeal from claim-construction rulings. Even as revised in the 2009 Judiciary Committee mark up, previous section 8(b) gave the Federal Circuit insufficient discretion to turn away such appeals and posed a serious risk of overwhelming the court. The 2009 mark-up revisions allowed the Federal Circuit to reject an interlocutory appeal if it found clear error in the district court's certification that there is a sufficient evidentiary record for an interlocutory appeal and that such an appeal may advance the termination of the litigation or will likely control the outcome of the case. It would be difficult in any case, however, to reject a finding that an interlocutory appeal of claim-construction rulings may lead to the termination of the litigation. Moreover, if a district judge has certified a case for interlocutory appeal, it is very unlikely that the record that he has created would support a finding that his decision is clearly erroneous. And finally, given the disdain for patent cases felt by a substantial number of district judges, there is a serious likelihood that a large number of judges would take advantage of a new authorization from Congress to send away such cases to the Federal Circuit, with the hope that they do not return. Current law's grant of discretion to the Federal Circuit to entertain interlocutory appeals of claim-construction rulings strikes the appropriate balance.

Section 10 of the present bill authorizes supplemental examination of a patent to correct errors or omissions in proceedings before the Office. Under this new procedure, information that was not considered or was inadequately considered or was incorrect can be presented to the Office. If the Office determines that the information does not present a substantial new question of patentability or that the patent is still valid, that information cannot be used as a basis for an inequitable-conduct attack on the surviving patent in civil litigation. New section 257(c)(1) follows the usual practice of referring to inequitable-conduct attacks in terms of unenforceability, rather than invalidity, though courts have in the past used the terms interchangeably when describing the effect of fraud or inequitable conduct on a patent. *J.P. Stevens & Co., Inc.* v. *Lex Tex Ltd., Inc.*, 747 F.2d 1553, 1560, Fed. Cir. 1984, notes that ''[w]hether the holding should be one of invalidity or unenforceability has had no practical significance in cases thus far presented to this court.'' The term should be considered to be used interchangeably with ''invalidity'' in this bill as well. Obviously, Congress would not create a procedure for reexamining patents that allowed them to be protected against subsequent inequitable-conduct challenges of unenforceability, only to allow the same patents to be challenged on the same basis and declared invalid on the basis of inequitable conduct.

While some critics of this proposal have suggested that it would immunize misconduct by inventors and practitioners, I would note that the Patent Office has ample authority to sanction such misconduct. Under section 32 of title 35, the Office can bar an attorney from appearing before the Office if he has engaged in misconduct in any proceeding before the Office. In section 2(l) of this bill, we have extended the statute of limitations for initiating such a proceeding. Under current regulations, the Office also sanctions misconduct by striking offending filings or reducing the weight that they are given. And the Federal Circuit has recognized that the Office also ''has inherent authority to govern procedure before the [Office],'' as noted in In re Bogese II, 303 F.3d 1362, 1368, Fed. Cir. 2002, and that inherent authority to sanction attorneys for misconduct is not restricted to Article III courts, a point noted in In re Bailey, 182 F.3d 860, 864 n.4, Fed. Cir. 1999.

Given the Office's existing tools for sanctioning misconduct, there is no need to make the courts into supervisors of attorney conduct in Office proceedings. It is doubtful that a practitioner who is discovered to have engaged in substantial misconduct in proceedings before the Office would escape adequate and effective sanction by the Office itself.

Section 11 of the bill repeals the so-called Baldwin rule, which requires judges on the Federal Circuit to live within 50 miles of Washington, D.C. Subsection (b) provides that the repeal of the Baldwin rule shall not be construed to imply that the Administrative Office of the Courts must provide court facilities or administrative support services to judges who choose to reside outside of the District of Columbia. This proviso does not affect the AOC's existing authority to provide services to judges outside of the District of Columbia. Its reference to ''court facilities'' means space within a courthouse or federal building, and the reference to ''administrative support services'' means those services that would be provided to judges within a courthouse or federal building.

In section 15 of the bill, a conforming subsection (b) has been added to ensure that the best-mode requirement cannot be used to challenge a patent's entitlement to a right of priority or to the benefit of an earlier filing date. In the new effective-date subsection, the section is made applicable to all ''proceedings'' commenced after enactment of the Act, in order to make clear that the section's changes to the law will be immediately applicable not just in litigation but also in post-grant reviews of patents under chapter 32.

At subsections (a) through (h), section 16 of the bill has been modified by reinserting language that eliminates various deceptive-intent requirements that relate to correcting the naming of the inventor or a joint inventor, obtaining a retroactive foreign filing license, seeking section 251 reissue, or enforcing remaining valid claims if a claim is invalidated. See generally *Kearney & Trecker Corp.* v. *Giddings & Lewis, Inc.*, 452 F.2d 579, 596, 7th Cir. 1971. These changes were first proposed in section 5 of the original Patent Reform Act of 2005, H.R. 2795, 109th Congress, and have been advocated by universities and their technology-transfer offices. For reasons that are not entirely clear, subsequent bills maintained this section and its addition of substructure and titles to the affected code sections, but struck the substantive part of the section—i.e., its elimination of the deceptive-intent requirements.

Eliminating the various deceptive-intent requirements moves the U.S. patent system away from the 19th century model that focused on the patent owner's subjective intent, and towards a more objective-evidence-based system that will be much cheaper to litigate and more efficient to administer.

Section 16(i) of the present bill corrects several errors and typos throughout title 35 that are noted in the reviser's notes to the U.S. Code.

Section 16(j) strikes unnecessary references to ''of this title'' that are sprinkled throughout title 35. The 1952 Act included such unnecessary references, but more recent additions to the code have not, and the current bill's changes omit such references. Because the unnecessary references greatly outnumber the necessary references, the provision is written to strike all references but then except out the necessary references.

The present bill's new section 17 enacts the so-called Holmes Group fix, H.R. 2955, 109th Congress, which was reported out of the House Judiciary Committee in 2006. The committee report accompanying that bill, House Report 109–407, explains the bill's reasons for abrogating *Holmes Group, Inc.* v. *Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002), and more fully precluding state court jurisdiction over patent legal claims.

Section 17 makes two modifications to the reported version of H.R. 2955. The first modification, at subsection (c), limits the bill's expansion of Federal Circuit jurisdiction to only compulsory counterclaims asserting patent rights, rather than the original bill's expansion of jurisdiction to include any counterclaim asserting patent rights. Compulsory counterclaims are defined at Rule 13(a) and basically consist of counterclaims that arise out of the same transaction or occurrence and that do not require the joinder of parties over whom the court would lack

jurisdiction. A compulsory counterclaim must be raised as a counterclaim in the case in question, and cannot be asserted in a later case. Without this modification, it is possible that a defendant could raise unrelated and unnecessary patent counterclaims simply in order to manipulate appellate jurisdiction. With the modification, a defendant with a permissive patent counterclaim who wanted to preserve Federal Circuit appellate review of that counterclaim could simply wait to assert it in a separate action.

The second modification, in subsection (d), corrects an error in H.R. 2955 that would have required remand of patent and other intellectual-property counterclaims after their removal. H.R. 2955's proposed removal statute, at section 1454(c)(1) of title 28, required a remand to the state court of all claims that are not within the original or supplemental jurisdiction of the district court. Since the bill no longer amends section 1338 to give district courts original jurisdiction over patent counterclaims, however—and since, pursuant to Holmes Group itself, patent counterclaims are not within the district courts' original jurisdiction—then under paragraph (1), district courts would be required to remand the patent counterclaims. Courts would probably strain to avoid reading the paragraph this way, since doing so defeats the only apparent purpose of the section, and the amendments to section 1338 strip the state courts of jurisdiction over patent counterclaims. But that is exactly what H.R. 2955's proposed 1454(c)(1) ordered the court to do. In the modified text of section 17(d) of this bill, the court is instructed to not remand those claims that were a basis for removal in the first place—that is, the intellectual-property counterclaims.

Section 18 of the bill creates an administrative mechanism for reviewing the validity of business-method patents. In 1998, the U.S. Court of Appeals for the Federal Circuit, in its decision in *State Street Bank & Trust Co.* v. *Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), substantially expanded the patentability of business-method inventions in the United States, holding that any invention can be patented so long as it produces a ''useful, concrete, and tangible result'' and meets other requirements of title 35. In recent years, federal judicial decisions, culminating in the U.S. Supreme Court's decision in *Bilski* v. *Kappos*, 561 U.S. ____, 130 S.Ct. 3218 (2010), have overruled State Street and retracted the patentability of business methods and other abstract inventions. This judicial expansion and subsequent judicial retraction of U.S. patentability standards resulted in the issuance, in the interim, of a large number of business-method patents that are no longer valid. Section 18 creates a relatively inexpensive administrative alternative to litigation for addressing disputes concerning the validity of these patents.

This section grew out of concerns originally raised in the 110th Congress about financial institutions' inability to take advantage of the authority to clear checks electronically pursuant the Check Clearing for the 21st Century Act, at chapter 50 of title 12 of the U.S. Code, without infringing the so-called Ballard patents, patents number 5,910,988 and 6,032,137. See generally Senate Report 110–259 at pages 33 through 34. Once the committee began to examine this issue in greater depth, however, the question quickly turned from whether the Ballard patents should be allowed to disrupt compliance with the Check 21 Act, to how it is that the Ballard patents were issued in the first place. These patents consist of long recitations of technology created by others to implement the supposed ''invention'' of transmitting and processing checks and other business records electronically. The first of these patents was assigned to the class of cryptography inventions, but its specification itself concedes that the invention's ''controller'' will ''execute[] an encryption algorithm which is well known to an artisan of ordinary skill in the field.'' The second patent is assigned to Class 705, home to many of the most notorious business-method patents. Both of these patents are obviously business-method patents, and it is difficult to see how they were even novel and nonobvious and otherwise valid under the more liberal State Street standard, much less how they could survive the strictures of Bilski.

Section 18's definition of business-method patent, and its authorization to raise prior-art challenges in the petition for review, are designed to allow the Office to recognize a business-method patent as such despite its recitation of technological elements that are not colorably novel and nonobvious. This definition does not require the Office to conduct a merits inquiry into the nonobviousness of a technological invention, and should not be construed in a way that makes it difficult for the Office to administer. But if a technological element in a patent is not even assertedly or plausibly outside of the prior art, the Office should not rely on that element to classify the patent as not being a business-method patent. Thus when patents such as the Ballard patents recite elements incorporating off-the-shelf technology or other technology ''know to those skilled in the art,'' that should not preclude those patents' eligibility for review under this program.

At the request of other industry groups, section 18's definition of ''covered business-method patent'' has been limited to those patents that relate to a financial product or service. Given the protean nature of many business-method patents, it often will be unclear on the face of the patent whether it relates to a financial product or service. To make such a determination, the Office may look to how the patent has been asserted. Section 5(g) of the present bill modifies section 301 of title 35 to allow any person to submit to the Office the patent owner's statements in federal court or in any Office proceeding about the scope of the patent's claims. With this and other information, the Office should be able to determine whether the patent reads on products or services that are particular to or characteristic of financial institutions.

As the proviso at the end of the definition makes clear, business methods do not include ''technological inventions.'' In other words, the definition applies only to abstract business concepts and their implementation, whether in computers or otherwise, but does not apply to inventions relating to computer operations for other uses or the application of the natural sciences or engineering.

One feature of section 18 that has been the subject of prolonged discussion and negotiation between various groups during the last few weeks is its subsection (c), which concerns stays of litigation. The current subsection (c) reflects a compromise that requires a district judge to consider fixed criteria when deciding whether to grant a stay, and provides either side with a right to an interlocutory appeal of the district judge's decision. The appeal right has been modified to provide that such review ''may be de novo,'' and in every case requires the Federal Circuit to ensure consistent application of established precedent. Thus whether or not every case is reviewed de novo, the court of appeals cannot simply leave the stay decision to the discretion of the district court and allow different outcomes based on the predilections of different trial judges.

It is expected that district judges will liberally grant stays of litigation once a proceeding is instituted. Petitioners are required to make a high threshold showing in order to institute a proceeding, and proceedings are required to be completed within one year to 18 months after they are instituted. The case for a stay is particularly pronounced in a section 18 proceeding, given the expectation that most if not all true business-method patents are abstract and therefore invalid in light of the Bilski decision.

In pursuit of this congressional policy strongly favoring stays when proceedings are instituted under this section, subsection (c) incorporates the four-factor test for stays of litigation that was first announced in *Broadcast Innovation, L.L.C.* v. *Charter Communications*, 2006 WL 1897165, D. Colo. 2006. Broadcast Innovation includes, and gives separate weight to, a fourth factor that has often been ignored by other courts: ''whether a stay will reduce the burden of litigation on the parties and on the court.''

In order to ensure consistency in decisions whether to stay, regardless of the court in which a section 281 action is pending, paragraph (2) of subsection (c) requires consistent application of

''established precedent.'' This particular requirement is based on section 2245(d)(1) of title 28, which has been construed to require lower courts to look only to a fixed body of caselaw when making decisions under section 2254. Currently, district judge's decisions whether to stay litigation when a reexamination has been ordered are not appealable and therefore have never been reconciled by the Federal Circuit. Unsurprisingly, the resulting district-court caselaw is a dog's breakfast of different combinations of factors and different meanings ascribed to those factors. Although the cases applying Broadcast Innovation cite other opinions applying other tests as sources for some of its factors, by requiring application of ''established precedent,'' subsection (c) limits the relevant precedent to that applying the four factors of Broadcast Innovation in combination. By requiring courts to apply this limited and relatively consistent body of caselaw when determining whether to grant a stay, subsection (c) should ensure predictability and stability in stay decisions across different district courts, and limit the incentive to forum shop. The existence of forum shopping is an embarrassment to the legal system. Federal courts should apply equal justice, and give federal law the same meaning, regardless of where they are located.

Mr. President, I will conclude by noting that the present bill is the product of almost a decade of hard work. The path to this bill included three Senate Judiciary Committee mark ups, as well as the untold hours devoted by Chairman SMITH and other members of the House of Representatives to the development of the Patent Reform Act of 2005, the foundation of today's bill. The present bill will protect our heritage of innovation while updating the patent system for the current century. It will create clear and efficient rules for defining prior art and establishing patent priority. It will fix problems with current administrative proceedings, and create new means for improving patent quality. And it will move us toward a patent system that is objective, transparent, clear, and fair to all parties. I look forward to the Senate's passage of this bill and its enactment into law.

Mr. GRASSLEY. Mr. President, I urge my colleagues to support final passage on the America Invents Act. The Judiciary Committee has held numerous hearings on the need for patent reform, and has done a lot of work over the past several Congresses. We have had a good process on the floor. We adopted several amendments to improve the bill. We had votes on amendments and a pretty good open process, which we have not seen much of in the last few years. We have a good bipartisan bill—the chairman of the Judiciary Committee has successfully brought Senators and industry together to craft this compromise legislation. Now I urge my colleagues to support final passage on this important bill so we can conclude our work in the Senate.

The America Invents Act will protect inventors' rights and encourage innovation and investment in our economy. It will improve transparency and third party participation in the patent review process, which will strengthen patent quality and reduce costs. The bill will institute beneficial changes to the patent approval and review process, and will curb litigation abuses and improve certainty for investors and innovators. It will help companies do business more efficiently on an international basis.

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

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

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

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

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

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

The PRESIDING OFFICER. All time is yielded back.

Mr. LEAHY. Mr. President, I ask for the yeas and nays on the bill.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second.

The yeas and nays were ordered.

The bill was ordered to be engrossed for a third reading and was read the third time.

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

The bill clerk read as follows:

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

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

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

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

CBO ESTIMATE OF THE STATUTORY PAY-AS-YOU-GO EFFECTS FOR S. 23, THE AMERICA INVENTS ACT, WITH AMENDMENTS APPROVED BY THE SENATE THROUGH MARCH 8, 2010

	By fiscal year, in millions of dollars—												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011–2016	2011–2021
NET DECREASE ( ) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	420	90	30	20	30	30	30	30	40	30	590	750
Memorandum:													
Changes in Outlays	0	2,060	2,600	2,800	2,940	3,070	3,200	3,320	3,450	3,570	3,700	13,470	30,710
Changes in Revenues	0	2,480	2,690	2,830	2,960	3,100	3,230	3,350	3,480	3,610	3,730	14,060	31,460

Notes: Components may not sum to totals because of ounding.
The legislat on would give the Patent and Trademark Office permanent authority to collect and spend fees.
Sou ces: Congress onal Budget Off ce.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall the bill, as amended, pass?

The yeas and nays have been ordered.

The clerk will call the roll.

The bill clerk called the roll.

The result was announced—yeas 95, nays 5, as follows:

[Rollcall Vote No. 35 Leg.]

YEAS—95

Akaka	Graham	Moran
Alexander	Grassley	Murkowski
Ayotte	Hagan	Murray
Barrasso	Harkin	Nelson (NE)
Baucus	Hatch	Nelson (FL)
Begich	Hoeven	Paul
Bennet	Hutchison	Portman
Bingaman	Inhofe	Pryor
Blumenthal	Inouye	Reed
Blunt	Isakson	Reid
Boozman	Johanns	Roberts
Brown (MA)	Johnson (SD)	Rockefeller
Brown (OH)	Johnson (WI)	Rubio
Burr	Kerry	Sanders
Cardin	Kirk	Schumer
Carper	Klobuchar	Sessions
Casey	Kohl	Shaheen
Chambliss	Kyl	Shelby
Coats	Landrieu	Snowe
Coburn	Lautenberg	Stabenow
Cochran	Leahy	Tester
Collins	Lee	Thune
Conrad	Levin	Toomey
Coons	Lieberman	Udall (CO)
Corker	Lugar	Udall (NM)
Cornyn	Manchin	Vitter
DeMint	McCain	Warner
Durbin	McCaskill	Webb
Enzi	McConnell	Whitehouse
Feinstein	Menendez	Wicker
Franken	Merkley	Wyden
Gillibrand	Mikulski	

NAYS—5

Boxer	Crapo	Risch
Cantwell	Ensign	

The bill (S. 23), as amended, was passed, as follows:

S. 23

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''America Invents Act''.

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

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

''(i)(1) The term 'effective filing date' of a claimed invention in a patent or application for patent means—

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

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

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

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

(b) CONDITIONS FOR PATENTABILITY.—

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

''§ 102. Conditions for patentability; novelty

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

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

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

''(b) EXCEPTIONS.—

''(1) DISCLOSURES MADE 1 YEAR OR LESS BEFORE THE EFFECTIVE FILING DATE OF THE CLAIMED INVENTION.—A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if—

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

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

''(2) DISCLOSURES APPEARING IN APPLICATIONS AND PATENTS.—A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if—

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

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

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

''(c) COMMON OWNERSHIP UNDER JOINT RESEARCH AGREEMENTS.—Subject matter disclosed and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person in applying the provisions of subsection (b)(2)(C) if—

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

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

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

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

''(1) if paragraph (2) does not apply, as of the actual filing date of the patent or the application for patent; or

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

(2) CONTINUITY OF INTENT UNDER THE CREATE ACT.—The enactment of section 102(c) of title 35, United States Code, under the preceding paragraph 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 subsection (c). The United States Patent and Trademark Office shall administer section 102(c) 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 United States Patent and Trademark Office.

(3) CONFORMING AMENDMENT.—The item relating 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; NONOBVIOUS SUBJECT MATTER.—Section 103 of title 35, United States Code, is amended to read as follows:

''§ 103. Conditions for patentability; nonobvious subject matter

''A patent for a claimed invention may not be obtained, notwithstanding that 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''.

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

(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 striking ''Subject to section 102(e) of this title, such'' and inserting ''Such''.

(6) LIMIT ON RIGHT OF PRIORITY.—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) INVENTIONS MADE WITH FEDERAL ASSISTANCE.—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 inserting ''the 1-year period referred to in section 102(b) 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 period referred to in section 102(b)''.

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

''§ 291. Derived patents

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

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

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

''§ 135. Derivation proceedings

''(a) INSTITUTION OF PROCEEDING.—An applicant for patent may file a petition to institute a derivation proceeding in the Office. The petition shall set forth with particularity the basis for finding that an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's application and, without authorization, the earlier application claiming such invention was filed. Any such petition may only be filed within 1 year after the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention, shall be made under oath, and shall be supported by substantial evidence. Whenever the Director determines that a petition filed under this subsection demonstrates that the standards for instituting a derivation proceeding are met, the Director may institute a derivation proceeding. The determination by the Director whether to institute a derivation proceeding shall be final and nonappealable.

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

''(c) DEFERRAL OF DECISION.—The Patent Trial and Appeal Board may defer action on a petition for a derivation proceeding until 3 months after the date on which the Director issues a patent that includes the claimed invention that is the subject of the petition. The Patent Trial and Appeal Board also may defer action on a petition for a derivation proceeding, or stay the proceeding after it has been instituted, until the termination of a proceeding under chapter 30, 31, or 32 involving the patent of the earlier applicant.

''(d) EFFECT OF FINAL DECISION.—The final decision of the Patent Trial and Appeal Board, if adverse to claims in an application for patent, shall constitute the final refusal by the Office on those claims. The final decision of the Patent Trial and Appeal Board, if adverse to claims in a patent, shall, if no appeal or other review of the decision has been or can be taken or had, constitute cancellation of those claims, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation.

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

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

(j) ELIMINATION OF REFERENCES TO INTERFERENCES.—(1) Sections 41, 134, 145, 146, 154, 305, and 314 of title 35, United States Code, are each amended by striking ''Board of Patent Appeals and Interferences'' each place it appears and inserting ''Patent Trial and Appeal Board''.

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

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

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

(B) The subparagraph heading for section 154(b)(1)(C) of title 35, United States Code, as amended by this paragraph, is further amended by—

(i) striking ''OR'' and inserting ''OF''; and

(ii) striking ''SECRECY ORDER'' and inserting ''SECRECY ORDERS''.

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

''§ 134. Appeal to the Patent Trial and Appeal Board''.

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

''§ 146. Civil action in case of derivation proceeding''.

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

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

''6. Patent Trial and Appeal Board.''.

(7) The items relating to sections 134 and 135 in the table of sections for chapter 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.''.

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

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

(k) FALSE MARKING.—

(1) IN GENERAL.—Section 292 of title 35, United States Code, is amended—

(A) in subsection (a), by adding at the end the following:

''Only the United States may sue for the penalty authorized by this subsection.''; and

(B) by striking subsection (b) and inserting the following:

''(b) Any person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.''.

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

(l) STATUTE OF LIMITATIONS.—

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

(2) REPORT TO CONGRESS.—The Director shall provide on a biennial basis to the Judiciary Committees of the Senate and House of Representatives a report providing a short description of incidents made known to an officer or employee of the Office as prescribed in the regulations established under section 2(b)(2)(D) of title 35, United States Code, that reflect substantial evidence of misconduct before the Office but for which the Office was barred from commencing a proceeding under section 32 of title 35, United States Code, by the time limitation established by the fourth sentence of that section.

(3) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply in all cases in which the time period for instituting a proceeding under section 32 of title 35, United State Code, had not lapsed prior to the date of the enactment of this Act.

(m) SMALL BUSINESS STUDY.—

(1) DEFINITIONS.—In this subsection—

(A) the term ''Chief Counsel'' means the Chief Counsel for Advocacy of the Small Business Administration;

(B) the term ''General Counsel'' means the General Counsel of the United States Patent and Trademark Office; and

(C) the term ''small business concern'' has the meaning given that term under section 3 of the Small Business Act (15 U.S.C. 632).

(2) STUDY.—

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

(B) AREAS OF STUDY.—The study conducted under subparagraph (A) shall include examination of the effects of eliminating the use of invention dates, including examining—

(i) how the change would affect the ability of small business concerns to obtain patents and their costs of obtaining patents;

(ii) whether the change would create, mitigate, or exacerbate any disadvantage for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns, and whether the change would create any advantages for applicants for patents that are small business concerns relative to applicants for patents that are not small business concerns;

(iii) the cost savings and other potential benefits to small business concerns of the change; and

(iv) the feasibility and costs and benefits to small business concerns of alternative means of determining whether an applicant is entitled to a patent under title 35, United States Code.

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

(n) REPORT ON PRIOR USER RIGHTS.—

(1) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act, the Director shall report, to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives, the findings and recommendations of the Director on the operation of prior user rights in 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 members of the European Union and 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.

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

(2) CONSULTATION WITH OTHER AGENCIES.—In preparing the report required under paragraph (1), the Director shall consult with the United States Trade Representative, the Secretary of State, and the Attorney General.

(o) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided by this section, the amendments made by this section shall take effect on the date that is 18 months after the date of the enactment of this Act, and shall apply to any application for patent, and to any patent issuing thereon, that contains or contained at any time—

(A) a claim to a claimed invention that has an effective filing date as defined in section 100(i) of title 35, United States Code, that is 18 months or more after the date of the enactment of this Act; or

(B) a specific reference under section 120, 121, or 365(c) of title 35, United States Code, to any patent or application that contains or contained at any time such a claim.

(2) INTERFERING PATENTS.—The provisions of sections 102(g), 135, and 291 of title 35, United States Code, in effect on the day prior to the date of the enactment of this Act, shall apply to each claim of an application for patent, and any patent issued thereon, for which the amendments made by this section also apply, if such application or patent contains or contained at any time—

(A) a claim to an invention having an effective filing date as defined in section 100(i) of title 35, United States Code, earlier than 18 months after the date of the enactment of this Act; or

(B) a specific reference under section 120, 121, or 365(c) of title 35, United States Code, to any patent or application that contains or contained at any time such a claim.

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) or commences the national stage under section 371 shall include, or be amended to include, the name of the inventor for any invention claimed in the application. Except as otherwise provided in this section, each individual who is the inventor or a joint inventor of a claimed invention in an application for patent shall execute an oath or declaration in connection with the application.

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

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

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

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

''(d) SUBSTITUTE STATEMENT.—

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

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

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

''(i) is deceased;

''(ii) is under legal incapacity; or

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

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

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

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

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

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

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

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

''(g) EARLIER-FILED APPLICATION CONTAINING REQUIRED STATEMENTS OR SUBSTITUTE STATEMENT.—

''(1) EXCEPTION.—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 who claims the benefit under section 120, 121, or 365(c) of the filing of an earlier-filed application, if—

''(A) 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;

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

''(C) 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.

''(2) COPIES OF OATHS, DECLARATIONS, STATEMENTS, OR ASSIGNMENTS.—Notwithstanding paragraph (1), the Director may require that a copy of the executed oath or declaration, the substitute statement, or the assignment filed in the earlier-filed application be included in the later-filed application.

''(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 meeting the requirements of 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 inserting ''OR DECLARATION'' after ''AND OATH''; and

(C) by inserting ''or declaration'' after ''and oath'' each place it appears.

(4) CONFORMING AMENDMENT.—The item relating to section 115 in the table of sections for chapter 11 of title 35, United States Code, is amended to read as follows:

''115. Inventor's oath or declaration.''.

(b) FILING BY OTHER THAN INVENTOR.—

(1) IN GENERAL.—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.''.

(2) CONFORMING AMENDMENT.—Section 251 of title 35, United States Code, is amended in the third undesignated paragraph by inserting ''or the application for the original patent was filed by the assignee of the entire interest'' after ''claims of the original patent''.

(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'';

(2) in the second paragraph—

(A) by striking ''The specification'' and inserting ''(b) CONCLUSION.—The specification''; 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''.

(d) CONFORMING AMENDMENTS.—

(1) Sections 111(b)(1)(A) is amended by striking ''the first paragraph of section 112 of this title'' and inserting ''section 112(a)''.

(2) Section 111(b)(2) is amended by striking ''the second through fifth paragraphs of section 112,'' and inserting ''subsections (b) through (e) of section 112,''.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect 1 year after the date of the enactment of this Act and shall apply to patent applications that are filed on or after that effective date.

SEC. 4. VIRTUAL MARKING AND ADVICE OF COUNSEL.

(a) 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 subordinate part of a good faith assignment or transfer for other reasons of the entire enterprise or line of business to which the defense relates. Notwithstanding the preceding sentence, any person may, on its own behalf, assert a defense based on the exhaustion of rights provided under paragraph (3), including any necessary elements thereof.''.

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

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

''§ 298. Advice of Counsel

''The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent or the failure of the infringer to present such advice to the court or jury may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.''.

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

SEC. 5. POST-GRANT REVIEW PROCEEDINGS.

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

''CHAPTER 31—INTER PARTES REVIEW

''§ 311. Inter partes review

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

''(b) SCOPE.—A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

''(c) FILING DEADLINE.—A petition for inter partes review shall be filed after the later of either—

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

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

''§ 312. Petitions

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

''(1) the petition is accompanied by payment of the fee established by the Director under section 311;

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

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

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

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

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

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

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

''§ 313. Preliminary response to petition

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

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

''§ 314. Institution of inter partes review

''(a) THRESHOLD.—The Director may not authorize an inter partes review to commence unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

''(b) TIMING.—The Director shall determine whether to institute an inter partes review under this chapter within 3 months after receiving a preliminary response under section 313 or, if none is filed, within three months after the expiration of the time for filing such a response.

''(c) NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall list the date on which the review shall commence.

''(d) NO APPEAL.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

''§ 315. Relation to other proceedings or actions

''(a) INFRINGER'S ACTION.—An inter partes review may not be instituted or maintained if the petitioner or real party in interest has filed a civil action challenging the validity of a claim of the patent.

''(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 6 months after the date on which the petitioner, real party in interest, or his privy is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

''(c) JOINDER.—If the Director institutes an inter partes review, the Director, in his discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

''(d) MULTIPLE PROCEEDINGS.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

''(e) ESTOPPEL.—

''(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in an inter partes review under this chapter, or his real party in interest or privy, may not request or maintain a proceeding before the Office with respect to a claim on any ground that the petitioner raised or reasonably could have raised during an inter partes review of the claim that resulted in a final written decision under section 318(a).

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

''§ 316. Conduct of inter partes review

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

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

''(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

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

''(4) in accordance with section 2(b)(2), establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

''(5) setting a time period for requesting joinder under section 315(c);

''(6) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—

''(A) the deposition of witnesses submitting affidavits or declarations; and

''(B) what is otherwise necessary in the interest of justice;

''(7) prescribing 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 an unnecessary increase in the cost of the proceeding;

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

''(9) allowing the patent owner to file a response to the petition after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

''(10) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

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

''(12) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c).

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

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

''(d) AMENDMENT OF THE PATENT.—

''(1) IN GENERAL.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

''(A) Cancel any challenged patent claim.

''(B) For each challenged claim, propose a reasonable number of substitute claims.

''(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

''(3) SCOPE OF CLAIMS.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

''(e) EVIDENTIARY STANDARDS.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

''§ 317. Settlement

''(a) IN GENERAL.—An inter partes review instituted 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 merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall apply to that petitioner. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

''(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. If any party filing such agreement or understanding so requests, the copy shall be kept separate from the file of the inter partes review, and shall be made available only to Federal Government agencies upon written request, or to any other person on a showing of good cause.

''§ 318. Decision of the board

''(a) FINAL WRITTEN DECISION.—If an inter partes review 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 by the petitioner and any new claim added under section 316(d).

''(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

''(c) DATA ON LENGTH OF REVIEW.—The Patent and Trademark Office shall make available to the public data describing the length of time between the commencement of each inter partes review and the conclusion of that review.

''§ 319. Appeal

''A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.''.

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

''31. Inter Partes Review ..... 311.''.

(c) REGULATIONS AND EFFECTIVE DATE.—

(1) REGULATIONS.—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 31 of title 35, United States Code, as amended by subsection (a) of this section.

(2) APPLICABILITY.—

(A) IN GENERAL.—The amendments made by subsection (a) shall take effect on the date that is 1 year after the date of the enactment of this Act and shall apply to all patents issued before, on, or after the effective date of subsection (a).

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

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

(3) TRANSITION.—

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

(i) in section 312—

(I) in subsection (a)—

(aa) in the first sentence, by striking ''a substantial new question of patentability affecting any claim of the patent concerned is raised by the request,'' and inserting ''the information presented in the request shows that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request,''; and

(bb) in the second sentence, by striking ''The existence of a substantial new question of patentability'' and inserting ''A showing that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request''; and

(II) in subsection (c), in the second sentence, by striking ''no substantial new question of patentability has been raised,'' and inserting ''the showing required by subsection (a) has not been made,''; and

(ii) in section 313, by striking ''a substantial new question of patentability affecting a claim of the patent is raised'' and inserting ''it has been shown that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request''.

(B) APPLICATION.—The amendments made by this paragraph shall apply to requests for inter partes reexamination that are filed on or after the date of the enactment of this Act, but prior to the effective date of subsection (a).

(d) POST-GRANT REVIEW.—Part III of title 35, United States Code, is amended by adding at the end the following:

''CHAPTER 32—POST-GRANT REVIEW

''§ 321. Post-grant review

''(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the patent owner may file with the Office a petition to institute a post-grant review for a patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the post-grant review.

''(b) SCOPE.—A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims 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).

''(c) FILING DEADLINE.—A petition for a post-grant review shall be filed not later than 9 months after the grant of the patent or issuance of a reissue patent.

''§ 322. Petitions

''(a) 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 all real parties in interest;

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

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

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

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

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

''(b) PUBLIC AVAILABILITY.—As soon as practicable after the receipt of a petition under section 321, the Director shall make the petition available to the public.

''§ 323. Preliminary response to petition

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

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

''§ 324. Institution of post-grant review

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

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

''(c) TIMING.—The Director shall determine whether to institute a post-grant review under this chapter within 3 months after receiving a preliminary response under section 323 or, if none is filed, the expiration of the time for filing such a response.

''(d) NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a) or (b), and shall make such notice available to the public as soon as is practicable. The Director shall make each notice of the institution of a post-grant review available to the public. Such notice shall list the date on which the review shall commence.

''(e) NO APPEAL.—The determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable.

''§ 325. Relation to other proceedings or actions

''(a) INFRINGER'S ACTION.—A post-grant review may not be instituted or maintained if the petitioner or real party in interest has filed a civil action challenging the validity of a claim of the patent.

''(b) PRELIMINARY INJUNCTIONS.—If a civil action alleging infringement of a patent is filed within 3 months of the grant of the patent, the court may not stay its consideration of the patent owner's motion for a preliminary injunction against infringement of the patent on the basis that a petition for post-grant review has been filed or that such a proceeding has been instituted.

''(c) JOINDER.—If more than 1 petition for a post-grant review is properly filed against the same patent and the Director determines that more than 1 of these petitions warrants the institution of a post-grant review under section 324, the Director may consolidate such reviews into a single post-grant review.

''(d) MULTIPLE PROCEEDINGS.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of any post-grant review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the post-grant review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding. In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.

''(e) ESTOPPEL.—

''(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in a post-grant review under this chapter, or his real party in interest or

privy, may not request or maintain a proceeding before the Office with respect to a claim on any ground that the petitioner raised or reasonably could have raised during a post-grant review of the claim that resulted in a final written decision under section 328(a).

''(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in a post-grant review under this chapter, or his real party in interest or privy, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission that a claim in a patent is invalid on any ground that the petitioner raised during a post-grant review of the claim that resulted in a final written decision under section 328(a).

''(f) REISSUE PATENTS.—A post-grant review may not be instituted if the petition requests cancellation of a claim in a reissue patent that is identical to or narrower than a claim in the original patent from which the reissue patent was issued, and the time limitations in section 321(c) would bar filing a petition for a post-grant review for such original patent.

''§ 326. Conduct of post-grant review

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

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

''(2) setting forth the standards for the showing of sufficient grounds to institute a review under subsections (a) and (b) of section 324;

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

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

''(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to evidence directly related to factual assertions advanced by either party in the proceeding;

''(6) prescribing 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 an unnecessary increase in the cost of the proceeding;

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

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

''(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

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

''(11) requiring that the final determination in any post-grant review be issued not later than 1 year after the date on which the Director notices the institution of a proceeding under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 325(c).

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

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

''(d) AMENDMENT OF THE PATENT.—

''(1) IN GENERAL.—During a post-grant review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

''(A) Cancel any challenged patent claim.

''(B) For each challenged claim, propose a reasonable number of substitute claims.

''(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 327, or upon the request of the patent owner for good cause shown.

''(3) SCOPE OF CLAIMS.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

''(e) EVIDENTIARY STANDARDS.—In a post-grant review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

''§ 327. Settlement

''(a) IN GENERAL.—A post-grant review instituted 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 merits of the proceeding before the request for termination is filed. If the post-grant review is terminated with respect to a petitioner under this section, no estoppel under section 325(e) shall apply to that petitioner. If no petitioner remains in the post-grant review, the Office may terminate the post-grant review or proceed to a final written decision under section 328(a).

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

''§ 328. Decision of the board

''(a) FINAL WRITTEN DECISION.—If a post-grant review 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 by the petitioner and any new claim added under section 326(d).

''(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

''(c) DATA ON LENGTH OF REVIEW.—The Patent and Trademark Office shall make available to the public data describing the length of time between the commencement of each post-grant review and the conclusion of that review.

''§ 329. Appeal

''A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 328(a) may appeal the decision pursuant to sections 141 through 144. Any party to the post-grant review shall have the right to be a party to the appeal.''.

(e) 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 ..... 321.''.

(f) REGULATIONS AND EFFECTIVE DATE.—

(1) REGULATIONS.—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 (d) of this section.

(2) APPLICABILITY.—The amendments made by subsection (d) shall take effect on the date that is 1 year after the date of the enactment of this Act and, except as provided in section 18 and in paragraph (3), shall apply only to patents that are described in section 2(o)(1). The Director may impose a limit on the number of post-grant reviews that may be instituted during each of the 4 years following the effective date of subsection (d).

(3) PENDING INTERFERENCES.—The Director shall determine the procedures under which interferences commenced before the effective date of subsection (d) 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 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). For purposes of an interference that is commenced before the effective date of subsection (d), the Director may deem the Patent Trial and Appeal Board to be the Board of Patent Appeals and Interferences, and may allow the Patent Trial and Appeal Board to conduct any further proceedings in that interference. The authorization to appeal or have remedy from derivation proceedings in sections 141(d) and 146 of title 35, United States Code, and the jurisdiction to entertain appeals from derivation proceedings in section 1295(a)(4)(A) of title 28, United States Code, shall be deemed to extend to final decisions in interferences that are commenced before the effective date of subsection (d) and that are not dismissed pursuant to this paragraph.

(g) CITATION OF PRIOR ART AND WRITTEN STATEMENTS.—

(1) IN GENERAL.—Section 301 of title 35, United States Code, is amended to read as follows:

''§ 301. Citation of prior art and written statements

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

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

''(2) statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent.

''(b) OFFICIAL FILE.—If the person citing prior art or written statements pursuant to subsection (a) explains in writing the pertinence and manner of applying the prior art or written statements to at least 1 claim of the patent, the citation of the prior art or written statements and the explanation thereof shall become a part of the official file of the patent.

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

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

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

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

(h) REEXAMINATION.—

(1) DETERMINATION BY DIRECTOR.—

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

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

(2) APPEAL.—

(A) IN GENERAL.—Section 306 of title 35, United States Code, is amended by striking ''145'' and inserting ''144''.

(B) EFFECTIVE DATE.—The amendment made by this paragraph shall take effect on the date of enactment of this Act and shall apply to appeals of reexaminations that are pending before the Board of Patent Appeals and Interferences or the Patent Trial and Appeal Board on or after the date of the enactment of this Act.

SEC. 6. PATENT TRIAL AND APPEAL BOARD.

(a) COMPOSITION AND DUTIES.—Section 6 of title 35, United States Code, is amended to read as follows:

''§ 6. Patent Trial and Appeal Board

''(a) 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 Secretary, in consultation with 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) The Patent Trial and Appeal Board shall—

''(1) on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a);

''(2) review appeals of reexaminations pursuant to section 134(b);

''(3) conduct derivation proceedings pursuant to section 135; and

''(4) conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32.

''(c) Each appeal, derivation proceeding, post-grant review, and inter partes review 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.

''(d) The Secretary of Commerce may, in his discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge. It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.''.

(b) ADMINISTRATIVE APPEALS.—Section 134 of title 35, United States Code, is amended—

(1) in subsection (b), by striking ''any reexamination proceeding'' and inserting ''a reexamination''; and

(2) by striking subsection (c).

(c) CIRCUIT APPEALS.—

(1) IN GENERAL.—Section 141 of title 35, United States Code, is amended to read as follows:

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

''(a) EXAMINATIONS.—An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board's decision to the United States Court of Appeals for the Federal Circuit. By filing such an appeal, the applicant waives his right to proceed under section 145.

''(b) REEXAMINATIONS.—A patent owner who is dissatisfied with the final decision in an appeal of a reexamination to the Patent Trial and Appeal Board under section 134(b) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

''(c) POST-GRANT AND INTER PARTES REVIEWS.—A party to a post-grant or inter partes review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

''(d) DERIVATION PROCEEDINGS.—A party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board on the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days after the appellant has filed notice of appeal in accordance with section 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146. If the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under section 146, the Board's decision shall govern the further proceedings in the case.''.

(2) JURISDICTION.—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, reexaminations, post-grant reviews, and inter partes reviews at the instance of a party who exercised his right to participate in a proceeding before or appeal to the Board, except that an applicant or a party to a derivation proceeding may also have remedy by civil action pursuant to section 145 or 146 of title 35. An appeal under this subparagraph of a decision of the Board with respect to an application or derivation proceeding shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;''.

(3) PROCEEDINGS ON APPEAL.—Section 143 of title 35, United States Code, is amended—

(A) by striking the third sentence and inserting the following: ''In an ex parte case, the Director shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all of the issues raised in the appeal. The Director shall have the right to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board in a derivation proceeding under section 135 or in an inter partes or post-grant review under chapter 31 or 32.''; and

(B) by repealing the second of the two identical fourth sentences.

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

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

(2) the provisions of sections 6, 134, and 141 of title 35, United States Code, in effect on the day prior to the date of the enactment of this Act shall continue to apply to inter partes reexaminations that are requested under section 311 prior to the date that is 1 year after the date of the enactment of this Act;

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

(4) the Director's right under the last sentence of section 143 of title 35, United States Code, as amended by subsection (c)(3), to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board shall be deemed to extend to inter partes reexaminations that are requested under section 311 prior to the date that is 1 year after the date of the enactment of this Act.

SEC. 7. PREISSUANCE SUBMISSIONS BY THIRD PARTIES.

(a) IN GENERAL.—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 third party may submit for consideration and inclusion in the record of a patent application, any patent, published patent application, or other printed publication of potential relevance to the 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 given or mailed in the application for patent; or

''(B) the later of—

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

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

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

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

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

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

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect 1 year after the date of the enactment of this Act and shall apply to patent applications filed before, on, or after that effective date.

SEC. 8. VENUE.

(a) TECHNICAL AMENDMENTS RELATING TO VENUE.—Sections 32, 145, 146, 154(b)(4)(A), and 293 of title 35, United States Code, and section 21(b)(4) of the Act entitled ''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 (commonly referred to as the ''Trademark Act of 1946'' or the ''Lanham Act''; 15 U.S.C. 1071(b)(4)), 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''.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect upon the date of the enactment of this Act and shall apply to civil actions commenced on or after that date.

SEC. 9. FEE SETTING AUTHORITY.

(a) FEE SETTING.—

(1) IN GENERAL.—The Director shall have authority to set or adjust by rule any fee established, authorized, or charged under title 35, United States Code, and the Trademark Act of 1946 (15 U.S.C. 1051 et seq.), notwithstanding the fee amounts established, authorized, or charged thereunder, for all services performed by or materials furnished by, the Office, provided that patent and trademark fee amounts are in the aggregate set to recover the estimated cost to the Office for processing, activities, services, and materials relating to patents and trademarks, respectively, including proportionate shares of the administrative costs of the Office.

(2) SMALL AND MICRO ENTITIES.—The fees established under paragraph (1) for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents shall be reduced by 50 percent with respect to their application to any small entity that qualifies for reduced fees under section 41(h)(1) of title 35, United States Code, and shall be reduced by 75 percent with respect to their application to any micro entity as defined in section 123 of that title.

(3) 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 the consultation required under subparagraph (A), may reduce such fees.

(4) ROLE OF THE PUBLIC ADVISORY COMMITTEE.—The Director shall—

(A) submit to the Patent Public Advisory Committee or the 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 rule setting or adjusting fees under paragraph (1).

(5) 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.

(6) 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 final rule setting or adjusting fees under paragraph (1). No fee set or adjusted under paragraph (1) shall be effective prior to the end of such 45-day comment period.

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

(A) an applicant's rights under title 35, United States Code, 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—

(1) in subsections (a), (b), and (c) of section 801, by—

(A) striking ''During'' and all that follows through '' 2006, subsection'' and inserting ''Subsection''; and

(B) striking ''shall be administered as though that subsection reads'' and inserting ''is amended to read'';

(2) in subsection (d) of section 801, by striking ''During'' and all that follows through ''2006, subsection'' and inserting ''Subsection''; and

(3) in subsection (e) of section 801, by—

(A) striking ''During'' and all that follows through ''2006, subsection'' and inserting ''Subsection''; and

(B) striking ''shall be administered as though that subsection''.

(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 TRANSITION PROVISIONS.—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 ''and shall apply only with respect to the remaining portion of fiscal year 2005, 2006 and 2007''.

(e) STATUTORY AUTHORITY.—Section 41(d)(1)(A) of title 35, United States Code, is amended by striking '', and the Director may not increase any such fee thereafter''.

(f) 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 VIII of the Departments of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act, 2005.

(g) DEFINITIONS.—In this section, the following definitions shall apply:

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

(2) 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).

(h) ELECTRONIC FILING INCENTIVE.—

(1) IN GENERAL.—Notwithstanding any other provision of this section, a fee of $400 shall be established for each application for an original patent, except for a design, plant, or provisional application, that is not filed by electronic means as prescribed by the Director. The fee established by this subsection shall be reduced 50 percent for small entities that qualify for reduced fees under section 41(h)(1) of title 35, United States Code. All fees paid under this subsection shall be deposited in the Treasury as an offsetting receipt that shall not be available for obligation or expenditure.

(2) EFFECTIVE DATE.—This subsection shall become effective 60 days after the date of the enactment of this Act.

(i) REDUCTION IN FEES FOR SMALL ENTITY PATENTS.—The Director shall reduce fees for providing prioritized examination of utility and plant patent applications by 50 percent for small entities that qualify for reduced fees under section 41(h)(1) of title 35, United States Code, so long as the fees of the prioritized examination program are set to recover the estimated cost of the program.

(j) EFFECTIVE DATE.—Except as provided in subsection (h), the provisions of this section shall take effect upon the date of the enactment of this Act.

SEC. 10. SUPPLEMENTAL EXAMINATION.

(a) IN GENERAL.—Chapter 25 of title 35, United States Code, is amended by adding at the end the following:

''§ 257. Supplemental examinations to consider, reconsider, or correct information

''(a) IN GENERAL.—A patent owner may request supplemental examination of a patent in the Office to consider, reconsider, or correct information believed to be relevant to

the patent. Within 3 months of the date a request for supplemental examination meeting the requirements of this section is received, the Director shall conduct the supplemental examination and shall conclude such examination by issuing a certificate indicating whether the information presented in the request raises a substantial new question of patentability.

''(b) REEXAMINATION ORDERED.—If a substantial new question of patentability is raised by 1 or more items of information in the request, the Director shall order reexamination of the patent. The reexamination shall be conducted according to procedures established by chapter 30, except that the patent owner shall not have the right to file a statement pursuant to section 304. During the reexamination, the Director shall address each substantial new question of patentability identified during the supplemental examination, notwithstanding the limitations therein relating to patents and printed publication or any other provision of chapter 30.

''(c) EFFECT.—

''(1) IN GENERAL.—A patent shall not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent. The making of a request under subsection (a), or the absence thereof, shall not be relevant to enforceability of the patent under section 282.

''(2) EXCEPTIONS.—

''(A) PRIOR ALLEGATIONS.—This subsection shall not apply to an allegation pled with particularity, or set forth with particularity in a notice received by the patent owner under section 505(j)(2)(B)(iv)(II) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(j)(2)(B)(iv)(II)), before the date of a supplemental-examination request under subsection (a) to consider, reconsider, or correct information forming the basis for the allegation.

''(B) PATENT ENFORCEMENT ACTIONS.—In an action brought under section 337(a) of the Tariff Act of 1930 (19 U.S.C. 1337(a)), or section 281 of this title, this subsection shall not apply to any defense raised in the action that is based upon information that was considered, reconsidered, or corrected pursuant to a supplemental-examination request under subsection (a) unless the supplemental examination, and any reexamination ordered pursuant to the request, are concluded before the date on which the action is brought.

''(d) FEES AND REGULATIONS.—The Director shall, by regulation, establish fees for the submission of a request for supplemental examination of a patent, and to consider each item of information submitted in the request. If reexamination is ordered pursuant to subsection (a), fees established and applicable to ex parte reexamination proceedings under chapter 30 shall be paid in addition to fees applicable to supplemental examination. The Director shall promulgate regulations governing the form, content, and other requirements of requests for supplemental examination, and establishing procedures for conducting review of information submitted in such requests.

''(e) RULE OF CONSTRUCTION.—Nothing in this section shall be construed—

''(1) to preclude the imposition of sanctions based upon criminal or antitrust laws (including section 1001(a) of title 18, the first section of the Clayton Act, and section 5 of the Federal Trade Commission Act to the extent that section relates to unfair methods of competition);

''(2) to limit the authority of the Director to investigate issues of possible misconduct and impose sanctions for misconduct in connection with matters or proceedings before the Office; or

''(3) to limit the authority of the Director to promulgate regulations under chapter 3 relating to sanctions for misconduct by representatives practicing before the Office.''.

(b) EFFECTIVE DATE.—This section shall take effect 1 year after the date of the enactment of this Act and shall apply to patents issued before, on, or after that date.

SEC. 11. RESIDENCY OF FEDERAL CIRCUIT JUDGES.

(a) IN GENERAL.—Section 44(c) of title 28, United States Code, is amended—

(1) by repealing the second sentence; and

(2) in the third sentence, by striking ''state'' and inserting ''State''.

(b) NO PROVISION OF FACILITIES AUTHORIZED.—The repeal made by the amendment in subsection (a)(1) shall not be construed to authorize the provision of any court facilities or administrative support services outside of the District of Columbia.

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

SEC. 12. MICRO ENTITY DEFINED.

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

''§ 123. Micro entity defined

''(a) IN GENERAL.—For purposes of this title, the term 'micro entity' means an applicant who makes a certification that the applicant—

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

''(2) has not been named on 5 or more previously filed patent applications, not including applications filed in another country, provisional applications under section 111(b), or international applications filed under the treaty defined in section 351(a) for which the basic national fee under section 41(a) was not paid;

''(3) did not in the prior calendar year have a gross income, as defined in section 61(a) of the Internal Revenue Code (26 U.S.C. 61(a)), exceeding 3 times the most recently reported median household income, as reported by the Bureau of Census; and

''(4) has not assigned, granted, conveyed, and is not 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 had a gross income, as defined in section 61(a) of the Internal Revenue Code (26 U.S.C. 61(a)), exceeding 3 times the most recently reported median household income, as reported by the Bureau of the Census, in the calendar year preceding the calendar year in which the fee is being paid, other than an entity of higher education where the applicant is not an employee, a relative of an employee, or have any affiliation with the entity of higher education.

''(b) APPLICATIONS RESULTING FROM PRIOR EMPLOYMENT.—An applicant is not considered to be named on a previously filed application for purposes of subsection (a)(2) if the applicant has assigned, or is under an obligation by contract or law to assign, all ownership rights in the application as the result of the applicant's previous employment.

''(c) FOREIGN CURRENCY EXCHANGE RATE.—If an applicant's or entity's gross income in the preceding year is not in United States dollars, the average currency exchange rate, as reported by the Internal Revenue Service, during the preceding year shall be used to determine whether the applicant's or entity's gross income exceeds the threshold specified in paragraphs (3) or (4) of subsection (a).

''(d) STATE INSTITUTIONS OF HIGHER EDUCATION.—

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

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

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

''(2) DIRECTOR'S AUTHORITY.—The Director may, in the Director's discretion, impose income limits, annual filing limits, or other limits on who may qualify as a micro entity pursuant to this subsection if the Director determines that such additional limits are reasonably necessary to avoid an undue impact on other patent applicants or owners or are otherwise reasonably necessary and appropriate. At least 3 months before any limits proposed to be imposed pursuant to this paragraph shall take effect, the Director shall inform the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate of any such proposed limits.''.

SEC. 13. FUNDING AGREEMENTS.

(a) IN GENERAL.—Section 202(c)(7)(E)(i) of title 35, United States Code, is amended—

(1) by striking ''75 percent'' and inserting ''15 percent''; and

(2) by striking ''25 percent'' and inserting ''85 percent''.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of enactment of this Act and shall apply to patents issued before, on, or after that date.

SEC. 14. TAX STRATEGIES DEEMED WITHIN THE PRIOR ART.

(a) IN GENERAL.—For purposes of evaluating an invention under section 102 or 103 of title 35, United States Code, any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent, shall be deemed insufficient to differentiate a claimed invention from the prior art.

(b) DEFINITION.—For purposes of this section, the term ''tax liability'' refers to any liability for a tax under any Federal, State, or local law, or the law of any foreign jurisdiction, including any statute, rule, regulation, or ordinance that levies, imposes, or assesses such tax liability.

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

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

(e) EXCLUSION.—This section does not apply to that part of an invention that is a method, apparatus, computer program product, or system, that is used solely for preparing a tax or information return or other tax filing, including one that records, transmits, transfers, or organizes data related to such filing.

SEC. 15. BEST MODE REQUIREMENT.

(a) IN GENERAL.—Section 282 of title 35, United State Code, is amended in its second undesignated paragraph by striking paragraph (3) and inserting the following:

''(3) Invalidity of the patent or any claim in suit for failure to comply with—

''(A) any requirement of section 112, except that the failure to disclose the best mode

shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or

''(B) any requirement of section 251.''.

(b) CONFORMING AMENDMENT.—Sections 119(e)(1) and 120 of title 35, United States Code, are each amended by striking ''the first paragraph of section 112 of this title'' and inserting ''section 112(a) (other than the requirement to disclose the best mode)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect upon the date of the enactment of this Act and shall apply to proceedings commenced on or after that date.

SEC. 16. TECHNICAL AMENDMENTS.

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

(1) in the first paragraph, by striking ''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—

(A) by striking ''Whenever'' and inserting ''(c) CORRECTION OF ERRORS IN APPLICATION.—Whenever''; and

(B) by striking ''and such error arose without any deceptive intent on his part,''.

(b) FILING OF APPLICATION IN FOREIGN COUNTRY.—Section 184 of title 35, United States Code, is amended—

(1) in the first paragraph—

(A) by striking ''Except when'' and inserting ''(a) FILING IN FOREIGN COUNTRY.—Except when''; and

(B) by striking ''and without deceptive intent'';

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

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

(c) FILING WITHOUT A LICENSE.—Section 185 of title 35, United States Code, is amended by striking ''and without deceptive intent''.

(d) REISSUE OF DEFECTIVE PATENTS.—Section 251 of title 35, United States Code, is amended—

(1) in the first paragraph—

(A) by striking ''Whenever'' and inserting ''(a) IN GENERAL.—Whenever''; and

(B) by striking ''without any deceptive intention'';

(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 provisions'' and inserting ''(c) APPLICABILITY OF THIS TITLE.—The provisions''; and

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

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

(1) in the first paragraph, by striking ''Whenever, without any deceptive intention'' and inserting ''(a) IN GENERAL.—Whenever''; and

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

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

(1) in the first paragraph—

(A) by striking ''Whenever'' and inserting ''(a) CORRECTION.—Whenever''; and

(B) by striking ''and such error arose without any deceptive intention on his part''; and

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

(g) PRESUMPTION OF VALIDITY.—Section 282 of title 35, United States Code, is amended—

(1) in the first undesignated paragraph—

(A) by striking ''A patent'' and inserting ''(a) IN GENERAL.—A patent''; and

(B) by striking the third sentence;

(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''.

(h) ACTION FOR INFRINGEMENT.—Section 288 of title 35, United States Code, is amended by striking '', without deceptive intention,''.

(i) REVISER'S NOTES.—

(1) Section 3(e)(2) of title 35, United States Code, is amended by striking ''this Act,'' and inserting ''that Act,''.

(2) Section 202 of title 35, United States Code, is amended—

(A) in subsection (b)(3), by striking ''the section 203(b)'' and inserting ''section 203(b)''; and

(B) in subsection (c)(7)—

(i) in subparagraph (D), by striking ''except where it proves'' and all that follows through ''; and'' and inserting: ''except where it is determined to be infeasible following a reasonable inquiry, a preference in the licensing of subject inventions shall be given to small business firms; and''; and

(ii) in subparagraph (E)(i), by striking ''as described above in this clause (D);'' and inserting ''described above in this clause;''.

(3) Section 209(d)(1) of title 35, United States Code, is amended by striking ''nontransferrable'' and inserting ''nontransferable''.

(4) Section 287(c)(2)(G) of title 35, United States Code, is amended by striking ''any state'' and inserting ''any State''.

(5) Section 371(b) of title 35, United States Code, is amended by striking ''of the treaty'' and inserting ''of the treaty.''.

(j) UNNECESSARY REFERENCES.—

(1) IN GENERAL.—Title 35, United States Code, is amended by striking ''of this title'' each place that term appears.

(2) EXCEPTION.—The amendment made by paragraph (1) shall not apply to the use of such term in the following sections of title 35, United States Code:

(A) Section 1(c).

(B) Section 101.

(C) Subsections (a) and (b) of section 105.

(D) The first instance of the use of such term in section 111(b)(8).

(E) Section 157(a).

(F) Section 161.

(G) Section 164.

(H) Section 171.

(I) Section 251(c), as so designated by this section.

(J) Section 261.

(K) Subsections (g) and (h) of section 271.

(L) Section 287(b)(1).

(M) Section 289.

(N) The first instance of the use of such term in section 375(a).

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

SEC. 17. CLARIFICATION OF JURISDICTION.

(a) SHORT TITLE.—This section may be cited as the ''Intellectual Property Jurisdiction Clarification Act of 2011''.

(b) STATE COURT JURISDICTION.—Section 1338(a) of title 28, United States Code, is amended by striking the second sentence and inserting the following: ''No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights.''.

(c) COURT OF APPEALS FOR THE FEDERAL CIRCUIT.—Section 1295(a)(1) of title 28, United States Code, is amended to read as follows:

''(1) of an appeal from a final decision of a district court of the United States, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection;''.

(d) REMOVAL.—

(1) IN GENERAL.—Chapter 89 of title 28, United States Code, is amended by adding at the end the following new section:

''§ 1454. Patent, plant variety protection, and copyright cases

''(a) IN GENERAL.—A civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights may be removed to the district court of the United States for the district and division embracing the place where such action is pending.

''(b) SPECIAL RULES.—The removal of an action under this section shall be made in accordance with section 1446 of this chapter, except that if the removal is based solely on this section—

''(1) the action may be removed by any party; and

''(2) the time limitations contained in section 1446(b) may be extended at any time for cause shown.

''(c) DERIVATIVE JURISDICTION NOT REQUIRED.—The court to which a civil action is removed under this section is not precluded from hearing and determining any claim in such civil action because the State court from which such civil action is removed did not have jurisdiction over that claim.

''(d) REMAND.—If a civil action is removed solely under this section, the district court—

''(1) shall remand all claims that are neither a basis for removal under subsection (a) nor within the original or supplemental jurisdiction of the district court under any Act of Congress; and

''(2) may, under the circumstances specified in section 1367(c), remand any claims within the supplemental jurisdiction of the district court under section 1367.''.

(2) CONFORMING AMENDMENT.—The table of sections for chapter 89 of title 28, United States Code, is amended by adding at the end the following new item:

''1454. Patent, plant variety protection, and copyright cases.''.

(e) TRANSFER BY COURT OF APPEALS FOR THE FEDERAL CIRCUIT.—

(1) IN GENERAL.—Chapter 99 of title 28, United States Code, is amended by adding at the end the following new section:

''§ 1632. Transfer by the Court of Appeals for the Federal Circuit

''When a case is appealed to the Court of Appeals for the Federal Circuit under section 1295(a)(1), and no claim for relief arising under any Act of Congress relating to patents or plant variety protection is the subject of the appeal by any party, the Court of Appeals for the Federal Circuit shall transfer the appeal to the court of appeals for the regional circuit embracing the district from which the appeal has been taken.''.

(2) CONFORMING AMENDMENT.—The table of sections for chapter 99 of title 28, United States Code, is amended by adding at the end the following new item:

''1632. Transfer by the Court of Appeals for the Federal Circuit.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to any civil

action commenced on or after the date of the enactment of this Act.

SEC. 18. TRANSITIONAL PROGRAM FOR COVERED BUSINESS-METHOD PATENTS.

(a) REFERENCES.—Except as otherwise expressly provided, wherever in this section language is expressed in terms of a section or chapter, the reference shall be considered to be made to that section or chapter in title 35, United States Code.

(b) TRANSITIONAL PROGRAM.—

(1) ESTABLISHMENT.—Not later than 1 year after the date of enactment of this Act, the Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business-method patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32, subject to the following exceptions and qualifications:

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

(B) A person may not file a petition for a transitional proceeding with respect to a covered business-method patent unless the person or his real party in interest has been sued for infringement of the patent or has been charged with infringement under that patent.

(C) A petitioner in a transitional proceeding who challenges the validity of 1 or more claims in a covered business-method patent on a ground raised under section 102 or 103 as in effect on the day prior to the date of enactment of this Act may support such ground only on the basis of—

(i) prior art that is described by section 102(a) (as in effect on the day prior to the date of enactment of this Act); or

(ii) prior art that—

(I) discloses the invention more than 1 year prior to the date of the application for patent in the United States; and

(II) would be described by section 102(a) (as in effect on the day prior to the date of enactment of this Act) if the disclosure had been made by another before the invention thereof by the applicant for patent.

(D) The petitioner in a transitional proceeding, or his real party in interest, may not assert either in a civil action arising in whole or in part under section 1338 of title 28, United States Code, or in a proceeding before the International Trade Commission that a claim in a patent is invalid on any ground that the petitioner raised during a transitional proceeding that resulted in a final written decision.

(E) The Director may institute a transitional proceeding only for a patent that is a covered business-method patent.

(2) EFFECTIVE DATE.—The regulations issued pursuant to paragraph (1) shall take effect on the date that is 1 year after the date of enactment of this Act and shall apply to all covered business-method patents issued before, on, or after such date of enactment, except that the regulations shall not apply to a patent described in the first sentence of section 5(f)(2) of this Act during the period that a petition for post-grant review of that patent would satisfy the requirements of section 321(c).

(3) SUNSET.—

(A) IN GENERAL.—This subsection, and the regulations issued pursuant to this subsection, are repealed effective on the date that is 4 years after the date that the regulations issued pursuant to paragraph (1) take effect.

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

(c) REQUEST FOR STAY.—

(1) IN GENERAL.—If a party seeks a stay of a civil action alleging infringement of a patent under section 281 in relation to a transitional proceeding for that patent, the court shall decide whether to enter a stay based on—

(A) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;

(B) whether discovery is complete and whether a trial date has been set;

(C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and

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

(2) REVIEW.—A party may take an immediate interlocutory appeal from a district court's decision under paragraph (1). The United States Court of Appeals for the Federal Circuit shall review the district court's decision to ensure consistent application of established precedent, and such review may be de novo.

(d) DEFINITION.—For purposes of this section, the term ''covered business method patent'' means a patent that claims a method or corresponding apparatus for performing data processing operations utilized in the practice, administration, or management of a financial product or service, except that the term shall not include patents for technological inventions. Solely for the purpose of implementing the transitional proceeding authorized by this subsection, the Director shall prescribe regulations for determining whether a patent is for a technological invention.

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

SEC. 19. TRAVEL EXPENSES AND PAYMENT OF ADMINISTRATIVE JUDGES.

(a) AUTHORITY TO COVER CERTAIN TRAVEL RELATED EXPENSES.—Section 2(b)(11) of title 35, United States Code, is amended by inserting '', and the Office is authorized to expend funds to cover the subsistence expenses and travel-related expenses, including per diem, lodging costs, and transportation costs, of non-federal employees attending such programs'' after ''world''.

(b) PAYMENT OF ADMINISTRATIVE JUDGES.—Section 3(b) of title 35, United States Code, is amended by adding at the end the following:

''(6) ADMINISTRATIVE PATENT JUDGES AND ADMINISTRATIVE TRADEMARK JUDGES.—The Director has the authority to fix the rate of basic pay for the administrative patent judges appointed pursuant to section 6 of this title and the administrative trademark judges appointed pursuant to section 17 of the Trademark Act of 1946 (15 U.S.C. 1067) at not greater than the rate of basic pay payable for Level III of the Executive Schedule. The payment of a rate of basic pay under this paragraph shall not be subject to the pay limitation of section 5306(e) or 5373 of title 5.''.

SEC. 20. PATENT AND TRADEMARK OFFICE FUNDING.

(a) DEFINITIONS.—In this section, the following definitions shall apply:

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

(2) FUND.—The term ''Fund'' means the public enterprise revolving fund established under 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) UNDER SECRETARY.—The term ''Under Secretary'' means the Under Secretary of Commerce for Intellectual Property.

(b) FUNDING.—

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

(A) in subsection (b), by striking ''Patent and Trademark Office 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.—The amendments made by paragraph (1) shall take effect on the later of—

(A) October 1, 2011; or

(B) the first day of the first fiscal year that begins after the date of the enactment of this Act.

(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 on or after the effective date of subsection (b)(1)—

(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, provided, however, that no funds collected pursuant to section 9(h) of this Act or section 1(a)(2) of Public Law 111–45 shall be deposited in 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 relating to patents and trademarks, 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.

(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.—The Fund shall prepare and submit each year to the President a business-type budget in a manner, and before a date, as the President prescribes by regulation for the budget program.

SEC. 21. SATELLITE OFFICES.

(a) ESTABLISHMENT.—Subject to available resources, the Director may establish 3 or more satellite offices in the United States to carry out the responsibilities of the Patent and Trademark Office.

(b) PURPOSE.—The purpose of the satellite offices established under subsection (a) are to—

(1) increase outreach activities to better connect patent filers and innovators with the Patent and Trademark Office;

(2) enhance patent examiner retention;

(3) improve recruitment of patent examiners; and

(4) decrease the number of patent applications waiting for examination and improve the quality of patent examination.

(c) REQUIRED CONSIDERATIONS.—In selecting the locale of each satellite office to be established under subsection (a), the Director—

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

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

(3) nothing in the preceding paragraph shall constrain the Patent and Trademark Office to only consider its prior work from 2010. The process for site selection shall be open.

(d) PHASE-IN.—The Director shall satisfy the requirements of subsection (a) over the 3-year period beginning on the date of enactment of this Act.

(e) REPORT TO CONGRESS.—Not later than the end of the first fiscal year that occurs after the date of the enactment of this Act, and each fiscal year thereafter, the Director shall submit a report to Congress on—

(1) the rationale of the Director in selecting the locale of any satellite office required under subsection (a);

(2) the progress of the Director in establishing all such satellite offices; and

(3) whether the operation of existing satellite offices is achieving the purposes required under subsection (b).

(f) DEFINITIONS.—In this section, the following definitions shall apply:

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

(2) PATENT AND TRADEMARK OFFICE.—The term ''Patent and Trademark Office'' means the United States Patent and Trademark Office.

SEC. 22. PATENT OMBUDSMAN PROGRAM FOR SMALL BUSINESS CONCERNS.

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

SEC. 23. PRIORITY EXAMINATION FOR TECHNOLOGIES IMPORTANT TO AMERICAN COMPETITIVENESS.

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

(1) in subparagraph (E), by striking ''; and'' and inserting a semicolon;

(2) in subparagraph (F), by striking the semicolon and inserting ''; and''; and

(3) by adding at the end the following:

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

SEC. 24. DESIGNATION OF DETROIT SATELLITE OFFICE.

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

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

SEC. 25. EFFECTIVE DATE.

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

SEC. 26. BUDGETARY EFFECTS.

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

Mr. LEAHY. I move to reconsider the vote.

Mr. GRASSLEY. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

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

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

Among the Senate staff who have played a role with regard to this bill are Chip Roy, Holt Lackey, and Zina Bash of Senator CORNYN's staff, David Barlow and Rob Porter of Senator LEE's staff, Walt Kuhn of Senator GRAHAM's staff, and Danielle Cutrona and Bradley Hayes of Senator SESSIONS's staff. Special mention is merited for Matt Sandgren of Senator HATCH's staff, who fought tenaciously for the bill's supplemental examination provision, and who worked hard to defeat the amendment to strip the bill of its adoption of the first-to-file system, and Sarah Beth Groshart of Senator COBURN's staff, who helped draft the Coburn amendment, which will create a revolving fund for the PTO and put an end to fee diversion. Past staff who played an important role include Jennifer Duck of Senator FEINSTEIN's staff, and Ryan Triplette, who managed the bill for Senator HATCH while he was chairman and for Senator Specter while he was the lead Republican on the committee. Miss Duck and Miss Triplette negotiated the managers' amendment that was adopted during the bill's 2009 committee mark up, and which represented a major breakthrough on this bill, resolving the contentious issues of damages and venue. In the House of Representatives, key staff include Blaine Merritt and Vishal Amin of Chairman LAMAR SMITH's staff, and Christal Sheppard of Mr. CONYERS's staff. Bob Schiff of Senator Feingold's staff worked with my staff to develop minority views for the bill's 2009 committee report—I believe that this is the only time that Senator Feingold and I ever submitted a minority report together. I should also acknowledge Tim Molino of Senator KLOBUCHAR's staff, Rebecca Kelly of Senator SCHUMER's staff, Caroline Holland of Senator KOHL's staff, and Galen Roehl, who worked in past Congresses for Senator Brownback, and who currently staffs Senator TOOMEY. Much of S. 3600 was drafted in Senator Brownback's conference room. Let me also recognize the work of Rob Grant of Senate Legislative Counsel, who has drafted literally hundreds of versions of and amendments to this bill. And finally, I must acknowledge Rita Lari, who managed this bill for Senator GRASSLEY on the Senate floor this past week, and the indispensable Aaron Cooper, who has managed the bill for the chairman since the beginning of 2009.

Among those outside the Senate, I recognize and thank Hayden Gregory of the American Bar Association, Laurie Self and Rod McKelvie of Covington & Burling, and Hans Sauer, Mike Schiffer, Bruce Burton, Matt Rainey, David Korn, Carl Horton, Steve Miller, Doug Norman, and Stan Fendley. The Wisconsin Alumni Research Foundation has played an important role, particularly with regard to the bill's enhanced grace period. I thank Carl Gulbrandsen, Howard Bremmer, Andy Cohn, and Mike Remington. I thank Todd Dickinson and Vince Garlock of AIPLA, and Jim Crowne, who was willing to come to the Senate to double check the draft enrolled bill. I should also mention Herb Wamsley of Intellectual Property Owners, as well as Dana Colarulli, who has worn two hats during the course of his work on this bill, first with IPO, and subsequently as the head of legislative affairs at the PTO. Key participants at the PTO have also included Mike Fleming, John Love, Jim Toupin, and Rob Clarke. And of course I must mention the current Director, David Kappos, without whose effort and dedication the passage of the present bill would not have been possible.

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

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

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

The legislative clerk proceeded to call the roll.

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

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

MORNING BUSINESS

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

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

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

The PRESIDING OFFICER. The Senator is correct.

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

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

THE FEDERAL DEFICIT

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

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

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

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

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

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

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

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

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

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

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