

1 **Purpose: In the nature of a substitute.**

2

3

4 **S. 1137**

5

6 **To amend title 35, United States Code, and the Leahy-Smith**
7 **America Invents Act to make improvements and technical**
8 **corrections, and for other purposes.**

9

10 **Referred to the Committee on _____ and ordered to be**
11 **printed**

12 **Ordered to lie on the table and to be printed**

13 **AMENDMENT IN THE NATURE OF A SUBSTITUTE INTENDED TO**
14 **BE PROPOSED BY _____**

15 **Viz:**

16 **Strike all after the enacting clause and insert the following:**

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

19 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

20 (a) Short Title.—This Act may be cited as the “Protecting American Talent and
21 Entrepreneurship Act of 2015” or the “PATENT Act”.

22 (b) Table of Contents.—The table of contents for this Act is as follows:

23 Sec.1.Short title; table of contents.

24 Sec.2.Definitions.

25 Sec.3.Pleading requirements for patent infringement actions.

26 Sec.4.Customer-suit exception.

27 Sec.5.Discovery limits.

28 Sec.6.Procedures and practices to implement recommendations of the Judicial Conference.

29 Sec.7.Fees and other expenses.

30 Sec.8.Requirement of clarity and specificity in demand letters.

31 Sec.9.Abusive demand letters.

1 Sec.10.Transparency of patent transfer.

2 **Sec.11.Inter partes review and post-grant proceedings.**

3 **Sec.12.Protection** ~~Sec.11.Protection~~ of intellectual property licenses in bankruptcy.

4 ~~Sec.12.Small~~ **Sec.13.Small** business education, outreach, and information access.

5 ~~Sec.13.Studies~~ **Sec.14.Studies** on patent transactions, quality, and examination.

6 ~~Sec.14.Technical~~ **Sec.15.Technical** corrections to the Leahy-Smith America Invents Act and
7 other improvements.

8 ~~Sec.15.Effective date.~~ **Sec.16.Effective date.**

9 ~~Sec.16.Severability~~ **Sec.17.Severability.**

10 SEC. 2. DEFINITIONS.

11 (1) DIRECTOR.—The term “Director” means the Under Secretary of Commerce for
12 Intellectual Property and Director of the United States Patent and Trademark Office.

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

14 SEC. 3. PLEADING REQUIREMENTS FOR PATENT 15 INFRINGEMENT ACTIONS.

16 (a) Elimination of Form 18.—Not later than 1 month after the date of enactment of this Act,
17 the Supreme Court, using existing resources, shall eliminate Form 18 in the Appendix to the
18 Federal Rules of Civil Procedure (Complaint for Patent Infringement).

19 (b) Pleading Requirements.—

20 (1) AMENDMENT.—Chapter 29 of title 35, United States Code, is amended by inserting
21 after section 281 the following:

22 “281A. Pleading requirements for patent infringement actions

23 “(a) Pleading Requirements.—In a civil action in which a party asserts a claim for relief
24 arising under any Act of Congress relating to patents, a party alleging infringement shall include
25 in a complaint, counterclaim, or cross-claim for patent infringement, except as provided in
26 subsection (c), the following:

27 “(1) An identification of each patent allegedly infringed.

28 “(2) An identification of each claim of each patent identified under paragraph (1) that is
29 allegedly infringed.

30 “(3) For each claim identified under paragraph (2), an identification of each accused
31 process, machine, manufacture, or composition of matter (referred to in this section as an
32 ‘accused instrumentality’) alleged to infringe the claim.

33 “(4) For each accused instrumentality identified under paragraph (3), an identification
34 with particularity, if known, of—

35 “(A) the name or model number (or a representative model number) of each accused

1 instrumentality; or

2 “(B) if there is no name or model number, a description of each accused
3 instrumentality.

4 “(5) For each claim identified under paragraph (2), a description of the elements thereof
5 that are alleged to be infringed by the accused instrumentality and how the accused
6 instrumentality is alleged to infringe those elements.

7 “(6) For each claim of indirect infringement, a description of the acts of the alleged
8 infringer that are alleged to contribute to or induce the direct infringement.

9 “(b) Dismissal for Failure To Meet Pleading Requirements.—The court shall, on the motion of
10 any party, dismiss any count or counts of the complaint, counterclaim, or cross-claim for patent
11 infringement if the requirements of paragraphs (1) through (6) of subsection (a) are not met with
12 respect to such count or counts. The fact that a party pleads in accordance with subsection (c)
13 shall not be a basis for dismissal if the party nonetheless states a plausible claim for relief
14 sufficient under the Federal Rules of Civil Procedure.

15 “(c) Information Not Accessible.—If some subset of information required to comply with
16 subsection (a) is not accessible to a party after an inquiry reasonable under the circumstances,
17 consistent with rule 11 of the Federal Rules of Civil Procedure, an allegation requiring that
18 information may be based upon a general description of that information, along with a statement
19 as to why the information is not accessible.

20 “(d) Amendment of Pleadings.—Nothing in this provision shall be construed to affect a
21 party’s leave to amend pleadings as specified in the Federal Rules of Civil Procedure.
22 Amendments permitted by the court are subject to the pleading requirements set forth in this
23 section.

24 “(e) Confidential Information.—A party required to disclose information described under
25 subsection (a) may file information believed to be confidential under seal, with a motion setting
26 forth good cause for such sealing. If such motion is denied by the court, the party may seek to
27 file an amended pleading.

28 “(f) Exemption.—Subsection (a) shall not apply to a civil action that includes a claim for relief
29 arising under section 271(e)(2).

30 “281B. Early disclosure requirements for patent infringement 31 actions

32 “(a) Definitions.—In this section—

33 “(1) the term ‘financial interest’—

34 “(A) means—

35 “(i) with regard to a patent or patents, the right of a person to receive proceeds
36 from the assertion of the patent or patents, including a fixed or variable portion of
37 such proceeds; and

38 “(ii) with regard to the patentee, direct or indirect ownership or control by a
39 person of more than 20 percent of the patentee; and

1 “(B) does not mean—
2 “(i) ownership of shares or other interests in a mutual or common investment
3 fund, unless the owner of such interest participates in the management of such
4 fund; or
5 “(ii) the proprietary interest of a policyholder in a mutual insurance company or
6 a depositor in a mutual savings association, or a similar proprietary interest,
7 unless the outcome of the proceeding could substantially affect the value of such
8 interest;
9 “(2) the term ‘patentee’ means a party in a civil action that files a pleading subject to the
10 requirements of section 281A;
11 “(3) the term ‘proceeding’ means all stages of a civil action, including pretrial and trial
12 proceedings and appellate review; and
13 “(4) the term ‘ultimate parent entity’ has the meaning given the term in section 261A.
14 “(b) Early Disclosure Requirements.—Notwithstanding the requirements of section 299B, a
15 patentee shall disclose to the court and each adverse party, not later than 14 days after the date on
16 which the patentee serves or files the pleading subject to the requirements of section 281A—
17 “(1) the identity of each—
18 “(A) assignee of the patent or patents at issue, and any ultimate parent entity thereof;
19 “(B) entity with a right to sublicense to unaffiliated entities or to enforce the patent
20 or patents at issue, and any ultimate parent entity thereof; and
21 “(C) entity, other than an entity the ultimate parent of which is disclosed under
22 subparagraph (A) or (B), that the patentee knows to have a financial interest in—
23 “(i) the patent or patents at issue; or
24 “(ii) the patentee, and any ultimate parent entity thereof; and
25 “(2) for each patent that the patentee alleges to be infringed—
26 “(A) a list of each complaint, counterclaim, or cross-claim filed by the patentee or an
27 affiliate thereof in the United States during the 3-year period preceding the date of the
28 filing of the action, and any other complaint, counterclaim, or cross-claim filed in the
29 United States during that period of which the patentee has knowledge, that asserts or
30 asserted such patent, including—
31 “(i) the caption;
32 “(ii) civil action number;
33 “(iii) the court where the action was filed; and
34 “(iv) if applicable, any court to which the action was transferred;
35 “(B) a statement as to whether the patent is subject to an assurance made by the
36 party to a standards development organization to license others under such patent if—
37 “(i) the assurance specifically identifies such patent or claims therein; and

1 “(ii) the allegation of infringement relates to such standard; and
2 “(C) a statement as to whether the Federal Government has imposed specific
3 licensing requirements with respect to such patent.
4 “(c) Disclosure of Financial Interest.—
5 “(1) PUBLICLY TRADED.—For purposes of subsection (b)(1)(C), if the financial interest is
6 held by a corporation traded on a public stock exchange, an identification of the name of the
7 corporation and the public exchange listing shall satisfy the disclosure requirement.
8 “(2) NOT PUBLICLY TRADED.—For purposes of subsection (b)(1)(C), if the financial
9 interest is not held by a publicly traded corporation, the disclosure shall satisfy the
10 disclosure requirement if the information identifies—
11 “(A) in the case of a partnership, the name of the partnership, the address of the
12 principal place of business, and the name and correspondence address of the registered
13 agent;
14 “(B) in the case of a corporation, the name of the corporation, the location of
15 incorporation, and the address of the principal place of business; and
16 “(C) for each individual, the name and correspondence address of that individual.

17 “(d) Provision of Information to the United States Patent and Trademark Office.—Not later
18 than 1 month after the date on which the disclosures required under subsection (b) are made, the
19 patentee shall provide to the United States Patent and Trademark Office a filing containing the
20 information disclosed pursuant to subsection (b)(1).

21 “(e) Confidential Information.—

22 “(1) IN GENERAL.—A patentee required to disclose information under subsection (b) may
23 file, under seal, information believed to be confidential, with a motion setting forth good
24 cause for such sealing.

25 “(2) HOME ADDRESS INFORMATION.—For purposes of this section, the home address of an
26 individual shall be considered to be confidential information.”.

27 (2) CONFORMING AMENDMENT.—The table of sections for chapter 29 of title 35, United
28 States Code, is amended by inserting after the item relating to section 281 the following
29 new items:

30 “281A. Pleading requirements for patent infringement actions.

31 “281B. Early disclosure requirements for patent infringement actions.”.

32 ~~“(c) Effective Date.—The amendments made by this section shall~~
33 ~~take effect on the date of enactment of this Act and shall apply~~
34 ~~to any action for which a complaint is filed on or after that date.~~

35 SEC. 4. CUSTOMER-SUIT EXCEPTION.

36 (a) In General.—Chapter 29 of title 35, United States Code, is amended by adding at the end
37 the following:

1 “299A. Customer stay

2 “(a) Definitions.—In this section—

3 “(1) the term ‘covered customer’ means a retailer or end user that is accused of infringing
4 a patent or patents in dispute based on—

5 “(A) the sale, or offer for sale, of a covered product or covered process without
6 material modification of the product or process in a manner that is alleged to infringe a
7 patent or patents in dispute; or

8 “(B) the use by such retailer, the retailer’s end user customer, or an end user of a
9 covered product or covered process without material modification of the product or
10 process in a manner that is alleged to infringe a patent or patents in dispute;

11 “(2) the term ‘covered manufacturer’ means a person who manufactures or supplies, or
12 causes the manufacture or supply of, a covered product or covered process, or a relevant
13 part thereof;

14 “(3) the term ‘covered process’ means a process, method, or a relevant part thereof, that
15 is alleged to infringe the patent or patents in dispute where such process, method, or
16 relevant part thereof is implemented by an apparatus, material, system, software or other
17 instrumentality that is provided by the covered manufacturer;

18 “(4) the term ‘covered product’ means a component, product, system, service, or a
19 relevant part thereof, that—

20 “(A) is alleged to infringe the patent or patents in dispute; or

21 “(B) implements a process alleged to infringe the patent or patents in dispute;

22 “(5) for purposes of this section, the term ‘end user’ shall include an affiliate of such an
23 end user, but shall not include an entity that manufactures or causes the manufacture of a
24 covered product or covered process or a relevant part thereof;

25 “(6) the term ‘retailer’ means an entity that generates its revenues predominately through
26 the sale to the public of consumer goods or services, or an affiliate of such entity, but shall
27 not include an entity that manufactures or causes the manufacture of a covered product or
28 covered process or a relevant part thereof; and

29 “(7) for purposes of the definitions in paragraphs (5) and (6), the terms ‘use’ and ‘sale’
30 mean the use and the sale, respectively, within the meanings given those terms under
31 section 271.

32 “(b) Motion for Stay.—In a civil action in which a party asserts a claim for relief arising under
33 any Act of Congress relating to patents (other than an action that includes a cause of action
34 described in section 271(e)), the court shall grant a motion to stay at least the portion of the
35 action against a covered customer that relates to infringement of a patent involving a covered
36 product or covered process if—

37 “(1) the covered manufacturer is a party to the action or a separate action in a Federal
38 court of the United States involving the same patent or patents relating to the same covered
39 product or covered process;

1 “(2) the covered customer agrees to be bound as to issues determined in an action
2 described in paragraph (1) without a full and fair opportunity to separately litigate any such
3 issue, but only as to those issues for which all other elements of the common law doctrine of
4 issue preclusion are met; and

5 “(3) the motion is filed after the first pleading in the action but not later than the later
6 of—

7 “(A) ~~120~~ 90 days after service of the first pleading or paper in the action that
8 specifically identifies the covered product or covered process as a basis for the alleged
9 infringement of the patent by the covered customer, and specifically identifies how the
10 covered product or covered process is alleged to infringe the patent; or

11 “(B) the date on which the first scheduling order in the case is entered.

12 “(c) Manufacturer Consent in Certain Cases.—If the covered manufacturer has been made a
13 party to the action on motion by the covered customer, then a motion under subsection (b) may
14 only be granted if the covered manufacturer and the covered customer agree in writing to the
15 stay.

16 “(d) Lift of Stay.—

17 “(1) IN GENERAL.—A stay entered under this section may be lifted upon grant of a motion
18 based on a showing that—

19 “(A) the action involving the covered manufacturer will not resolve major issues in
20 the suit against the covered customer, such as that a covered product or covered
21 process identified in the motion to lift the stay is not a material part of the claimed
22 invention or inventions in the patent or patents in dispute; or

23 “(B) the stay unreasonably prejudices or would be manifestly unjust to the party
24 seeking to lift the stay.

25 “(2) SEPARATE ACTIONS.—In the case of a stay entered under this section based on the
26 participation of the covered manufacturer in a separate action described in subsection (b)(1),
27 a motion under paragraph (1) may only be granted if the court in such separate action
28 determines that the showing required under paragraph (1) has been made.

29 “(e) Waiver of Estoppel Effect.—If, following the grant of a motion to stay under this section,
30 the covered manufacturer in an action described in subsection (b)(1)—

31 “(1) obtains or consents to entry of a consent judgment involving one or more of the
32 issues that gave rise to the stay; or

33 “(2) fails to prosecute to a final, non-appealable judgment a final decision as to one or
34 more of the issues that gave rise to the stay,

35 the court may, upon motion, determine that such consent judgment or unappealed final decision
36 shall not be binding on the covered customer with respect to one or more of the issues that gave
37 rise to the stay based on a showing that such an outcome would unreasonably prejudice or be
38 manifestly unjust to the covered customer in light of the circumstances of the case.

39 “(f) Rule of Construction.—Nothing in this section shall be construed to limit the ability of a
40 court to grant any stay, expand any stay granted pursuant to this section, or grant any motion to

1 intervene, if otherwise permitted by law.”.

2 (b) Conforming Amendment.—The table of sections for chapter 29 of title 35, United States
3 Code, is amended by adding at the end the following:

4 “299A. Customer stay.”.

5 **SEC. 5. DISCOVERY LIMITS.**

6 (a) Amendment.—Chapter 29 of title 35, United States Code, as amended by section 4, is
7 amended by adding at the end the following:

8 **“299B. Discovery in patent infringement action**

9 “(a) Discovery in Patent Infringement Action.—

10 “(1) IN GENERAL.—Except as provided in subsections (b) and (c), in a civil action arising
11 under any Act of Congress relating to patents, discovery shall be stayed during the
12 pendency of 1 or more motions described in paragraph (2) if the motion or motions were
13 filed prior to the first responsive pleading.

14 “(2) MOTIONS DESCRIBED.—The motions described in this paragraph are—

15 “(A) a motion to dismiss;

16 “(B) a motion to transfer venue; and

17 “(C) a motion to sever accused infringers.

18 “(b) Discretion To Expand Scope of Discovery.—

19 “(1) RESOLUTION OF MOTIONS.—A court may allow limited discovery necessary to
20 resolve a motion described in subsection (a) or a motion for preliminary relief properly
21 raised by a party before or during the pendency of a motion described in subsection (a).

22 “(2) ADDITIONAL DISCOVERY.—On motion, a court may allow additional discovery if the
23 court finds that such discovery is necessary to preserve evidence or otherwise prevent
24 specific prejudice to a party.

25 “(c) Exclusion From Discovery Limitation.—

26 “(1) VOLUNTARY EXCLUSION.—The parties to an action described in subsection (a) may
27 voluntarily consent to be excluded, in whole or in part, from the limitation on discovery
28 under subsection (a).

29 “(2) CLAIMS UNDER SECTION 271(E).—This section shall not apply to a civil action that
30 includes a claim for relief arising under section 271(e).

31 “(d) Rules of Construction.—

32 “(1) TIMELINE FOR RESPONSIVE PLEADINGS.—Nothing in this section shall be construed to
33 alter the time provided by the Federal Rules of Civil Procedure for the filing of responsive
34 pleadings.

35 “(2) EXCHANGE OF CONTENTIONS.—Nothing in this section shall prohibit a court from
36 ordering or local rules from requiring the exchange of contentions regarding infringement,
37 non-infringement, invalidity or other issues, by interrogatories or other written initial

1 disclosures, at an appropriate time determined by the court.”.

2 (b) Conforming Amendment.—The table of sections for chapter 29 of title 35, United States
3 Code, as amended by section 4, is amended by inserting after the item relating to section 299A
4 the following:

5 “299B. Discovery in patent infringement action.”.

6 ~~(c) Effective Date.—The amendments made by this section shall~~
7 ~~take effect on the date of enactment of this Act and shall apply~~
8 ~~to any action for which a complaint is filed on or after that date.~~

9 **SEC. 6. PROCEDURES AND PRACTICES TO IMPLEMENT**
10 **RECOMMENDATIONS OF THE JUDICIAL CONFERENCE.**

11 (a) Judicial Conference Rules and Procedures on Discovery Burdens and Costs.—

12 (1) RULES AND PROCEDURES.—The Judicial Conference of the United States, using
13 existing resources, should develop rules and procedures to implement the discovery
14 proposals described in paragraph (2) to address concerns regarding the asymmetries in
15 discovery burdens and costs that may arise in a civil action arising under any Act of
16 Congress relating to patents.

17 (2) RULES AND PROCEDURES TO BE CONSIDERED.—The rules and procedures to be
18 developed under paragraph (1) should address each of the following:

19 (A) DISCOVERY OF CORE DOCUMENTARY EVIDENCE.—To what extent each party to
20 the action is entitled to receive core documentary evidence and should be responsible
21 for the costs of producing core documentary evidence within the possession or control
22 of each such party, and to what extent each party to the action may seek noncore
23 documentary discovery as otherwise provided in the Federal Rules of Civil Procedure.

24 (B) ELECTRONIC COMMUNICATION.—If the parties request discovery of electronic
25 communication, how such discovery should be phased to occur relative to the
26 exchange of initial disclosures and core documentary evidence, and appropriate
27 limitations to apply to such discovery.

28 (C) ADDITIONAL DOCUMENT DISCOVERY.—The manner and extent to which the
29 following should apply:

30 (i) IN GENERAL.—Each party to the action may seek any additional document
31 discovery beyond core documentary evidence as permitted under the Federal
32 Rules of Civil Procedure, if such party bears the reasonable costs, including
33 reasonable attorney’s fees, of the additional document discovery.

34 (ii) REQUIREMENTS FOR ADDITIONAL DOCUMENT DISCOVERY.—Unless the
35 parties mutually agree otherwise, no party may be permitted additional document
36 discovery unless such a party posts a bond, or provides other security, in an
37 amount sufficient to cover the expected costs of such additional document
38 discovery, or makes a showing to the court that such party has the financial
39 capacity to pay the costs of such additional document discovery.

1 (iii) GOOD CAUSE MODIFICATION.—A court, upon motion and for good cause
2 shown, may modify the requirements of subparagraphs (A) and (B) and any
3 definition under paragraph (3). Not later than 30 days after the pretrial conference
4 under rule 16 of the Federal Rules of Civil Procedure, the parties shall jointly
5 submit any proposed modifications of the requirements of subparagraphs (A) and
6 (B) and any definition under paragraph (3), unless the parties do not agree, in
7 which case each party shall submit any proposed modification of such party and a
8 summary of the disagreement over the modification.

9 (iv) COMPUTER CODE.—A court, upon motion and for good cause shown, may
10 determine that computer code should be included in the discovery of core
11 documentary evidence. The discovery of computer code shall occur after the
12 parties have exchanged initial disclosures and other core documentary evidence.

13 (D) DISCOVERY SEQUENCE AND SCOPE.—The manner and extent to which the parties
14 shall discuss and address in the written report filed pursuant to rule 26(f) of the Federal
15 Rules of Civil Procedure the views and proposals of each party on the following:

16 (i) When the discovery of core documentary evidence should be completed.

17 (ii) Whether additional document discovery will be sought under subparagraph
18 (C).

19 (iii) Any issues about infringement, invalidity, or damages that, if resolved
20 before the additional discovery described in subparagraph (C) commences, might
21 simplify or streamline the case.

22 (3) SCOPE OF DOCUMENTARY EVIDENCE.—In developing rules or procedures under this
23 section, the Judicial Conference should consider which kinds of evidence constitute “core
24 documentary evidence”.

25 (4) DEFINITIONS.—In this subsection the term “electronic communication” means any
26 form of electronic communication, including email, text message, or instant message.

27 (b) Judicial Conference Patent Case Management.—The Judicial Conference of the United
28 States, using existing resources, should develop case management procedures to be implemented
29 by the United States district courts and the United States Court of Federal Claims for any civil
30 action arising under any Act of Congress relating to patents, including initial disclosure and early
31 case management conference practices that—

32 (1) will identify any potential dispositive issues of the case; and

33 (2) focus on early summary judgment motions when resolution of issues may lead to
34 expedited disposition of the case.

35 SEC. 7. FEES AND OTHER EXPENSES.

36 (a) Sense of Congress.—It is the sense of Congress that, in patent cases, reasonable attorney
37 fees should be paid by a non-prevailing party whose litigation position or conduct is not
38 objectively reasonable. As the Supreme Court wrote in adopting this legal standard in the context
39 of fee shifting under section 1447 of title 28, United States Code, this standard is intended to
40 strike a balance; in patent cases, a more appropriate balance between protecting the right of a
41 patent holder to enforce its patent on the one hand, and deterring abuses in patent litigation and

1 threats thereof on the other.

2 (b) Amendment.—Section 285 of title 35, United States Code, is amended to read as follows:

3 **“285. Fees and other expenses**

4 “(a) Award.—In connection with a civil action in which any party asserts a claim for relief
5 arising under any Act of Congress relating to patents, upon motion by a prevailing party, the
6 court shall determine whether the position of the non-prevailing party was objectively reasonable
7 in law and fact, and whether the conduct of the non-prevailing party was objectively reasonable.
8 If the court finds that the position of the non-prevailing party was not objectively reasonable in
9 law or fact or that the conduct of the non-prevailing party was not objectively reasonable, the
10 court shall award reasonable attorney fees to the prevailing party unless special circumstances,
11 **such as undue economic hardship to a named inventor or an institution of higher education**
12 **(as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a))),**
13 **would make an award unjust. The prevailing party shall bear the burden of demonstrating**
14 **that the prevailing party is entitled to an award.**

15 “(b) Covenant Not To Sue.—A party to a civil action who asserts a claim for relief arising
16 under any Act of Congress relating to patents against another party, and who subsequently
17 unilaterally (i) seeks dismissal of the action without consent of the other party and (ii) extends to
18 such other party a covenant not to sue for infringement with respect to the patent or patents at
19 issue, may be the subject of a motion for attorney fees under subsection (a) as if it were a
20 non-prevailing party, unless the party asserting such claim would have been entitled, at the time
21 that such covenant was extended, to dismiss voluntarily the action without a court order under
22 rule 41 of the Federal Rules of Civil Procedure, or the interests of justice require otherwise.

23 “(c) Recovery of Award.—

24 “(1) CERTIFICATION; DISCLOSURE OF INTERESTED PARTIES.—

25 “(A) INITIAL STATEMENT.—A party defending against a claim of infringement may
26 file, not later than 14 days before a scheduling conference is to be held or a scheduling
27 order is due under rule 16(b) of the Federal Rules of Civil Procedure, a statement that
28 such party holds a good faith belief, based on publicly-available information and any
29 other information known to such party, that the primary business of the party alleging
30 infringement is the assertion and enforcement of patents or the licensing resulting
31 therefrom.

32 “(B) CERTIFICATION.—Not later than 45 days after being served with an initial
33 statement under subparagraph (A), a party alleging infringement shall file a
34 certification that—

35 “(i) establishes and certifies to the court, under oath, that it will have sufficient
36 funds available to satisfy any award of reasonable attorney fees under this section
37 if an award is assessed;

38 “(ii) demonstrates that its primary business is not the assertion and enforcement
39 of patents or the licensing resulting therefrom;

40 “(iii) identifies interested parties, if any, as defined in paragraph (2) of this
41 subsection; or

1 “(iv) states that it has no such interested parties.

2 A party alleging infringement shall have an ongoing obligation to supplement its
3 certification under this subparagraph within 30 days after a material change to the
4 information provided in its certification.

5 “(C) NOTICE TO INTERESTED PARTY.—A party that files a certification under
6 subparagraph (B)(iii) shall, prior to filing the certification, provide each identified
7 interested party actual notice in writing by service of notice in any district where the
8 interested party may be found, such that jurisdiction shall be established over each
9 interested party to the action for purposes of enforcing an award of attorney fees under
10 this section, consistent with the Constitution of the United States. The notice shall
11 identify the action, the parties, the patents at issue, and the interest qualifying the party
12 to be an interested party. The notice shall inform the recipient that the recipient may be
13 held accountable under this subsection for any award of attorney fees, or a portion
14 thereof, resulting from the action in the event the party alleging infringement cannot
15 satisfy the full amount of such an award, unless the recipient renounces its interest
16 pursuant to subparagraph (E) or is otherwise exempt from the applicability of this
17 subsection.

18 “(D) ACCOUNTABILITY FOR INTERESTED PARTIES.—Any interested parties who are
19 timely served with actual notice pursuant to subparagraph (C) and do not renounce
20 their interests pursuant to subparagraph (E) or are not otherwise exempt from the
21 applicability of this subsection may be held accountable for any fees, or a portion
22 thereof, awarded under this section in the event that the party alleging infringement
23 cannot satisfy the full amount of the award. If a true and correct certification under
24 clause (i) or (ii) of subparagraph (B) is timely filed with the court, interested parties
25 shall not be subject to this subparagraph.

26 “(E) RENUNCIATION OF INTEREST.—Any recipient of a notice under subparagraph
27 (C) may submit a statement of renunciation of interest in a binding document with
28 notice to the court and parties in the action not later than ~~120~~ 90 days after receipt of
29 the notice under subparagraph (C). The statement shall be required to renounce only
30 such interest as would qualify the recipient as an interested party.

31 “(F) INSTITUTIONS OF HIGHER EDUCATION EXCEPTION.—Any institution of higher
32 education (as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C.
33 1001(a)) or under equivalent laws in foreign jurisdictions), or a non-profit technology
34 transfer organization whose primary purpose is to facilitate the commercialization of
35 technologies developed by 1 or more institutions of higher education, may exempt
36 itself from the applicability of this subsection by filing a certification that it qualifies
37 for the exception provided for in this subparagraph with the court and providing notice
38 to the parties.

39 “(G) INTEREST OF JUSTICE EXCEPTION.—Any recipient of a notice under
40 subparagraph (C) may intervene in the action for purposes of contesting its
41 identification as an interested party or its liability under this subsection, and a court
42 may exempt any party identified as an interested party from the applicability of this
43 subsection as the interest of justice requires.

1 “(2) INTERESTED PARTY.—In this section, the term ‘interested party’—

2 “(A) means a person who has a substantial financial interest related to the proceeds
3 from any settlement, license, or damages award resulting from the enforcement of the
4 patent in the action by the party alleging infringement;

5 “(B) does not include an attorney or law firm providing legal representation in the
6 action if the sole basis for the financial interest of the attorney or law firm in the
7 outcome of the action arises from the attorney or law firm’s receipt of compensation
8 reasonably related to the provision of the legal representation;

9 “(C) does not include a person who has assigned all right, title, and interest in a
10 patent, except for passive receipt of income, to an entity described in paragraph (1)(F),
11 or who has a right to receive any portion of such passive income; ~~and~~

12
13 “(D) does not include a person who would be an interested party under subparagraph
14 (A) but whose financial interest is based solely on an equity or security interest
15 established when the party alleging infringement’s primary business was not the
16 assertion and enforcement of patents or the licensing resulting therefrom; **and**

17 “(E) **does not include an insured depository institution as defined in section**
18 **19(b)(1)(A) of the Federal Reserve Act (12 U.S.C. 461(b)(1)(A)) if the sole basis for**
19 **the financial interest arises from a loan or other debt obligation.-**

20
21 “(d) Claims Under Section 271(e).—

22 “(1) APPLICABILITY.—Subsections (a), (b), and (c) shall not apply to a civil action that
23 includes a claim for relief arising under section 271(e).

24 “(2) AWARD IN CERTAIN CLAIMS UNDER SECTION 271(E).—In a civil action that includes a
25 claim for relief arising under section 271(e), the court may in exceptional cases award
26 reasonable attorney fees to the prevailing party.”.

27 (c) Conforming Amendment and Amendment.—

28 (1) CONFORMING AMENDMENT.—The item relating to section 285 of the table of sections
29 for chapter 29 of title 35, United States Code, is amended to read as follows:

30 “285. Fees and other expenses.”.

31 (2) AMENDMENT.—Section 273 of title 35, United States Code, is amended by striking
32 subsections (f) and (g).

33 ~~(d) Effective Date.—The amendments made by this section shall~~
34 ~~take effect on the date of enactment of this Act and shall apply~~
35 ~~to any action filed on or after such date.~~

36 **SEC. 8. REQUIREMENT OF CLARITY AND SPECIFICITY**
37 **IN DEMAND LETTERS.**

1 (a) In General.—Chapter 29 of title 35, United States Code, as amended by section 5, is
2 amended by adding at the end the following:

3 **“299C. Pre-suit written notice**

4 “(a) Applicability.—Subsection (b) shall not apply—

5 “(1) to written communication between parties—

6 “(A) regarding existing licensing agreements;

7 “(B) as part of an ongoing licensing negotiation, provided that the initial written
8 notice complied with the requirements of subsection (b) of this section; or

9 “(C) sent after the initial written notice, provided that the initial written notice
10 complied with the requirements of subsection (b) of this section; or

11 “(2) if the court determines it is in the interest of justice to waive the requirements of
12 subsection (b).

13 “(b) Written Notification Requirements.—

14 “(1) IN GENERAL.—In a civil action alleging infringement of a patent in which the
15 plaintiff has provided written notice of the accusation of infringement to the party accused
16 of infringement prior to filing the action, the initial written notice shall contain the
17 information required under paragraph (2) or be subject to paragraph (3).

18 “(2) REQUIRED INFORMATION PROVIDED IN INITIAL WRITTEN NOTICE.—The initial written
19 notice described in paragraph (1) shall contain, at a minimum—

20 “(A) an identification of—

21 “(i) each patent believed to be infringed, including the patent number; and

22 “(ii) at least one claim of each patent that is believed to be infringed;

23 “(B) an identification of each product, process, apparatus, or chemical composition,
24 including any manufacturer thereof, that is believed to infringe one or more claims of
25 each patent under subparagraph (A);

26 “(C) a clear and detailed description of the reasons why the plaintiff believes each
27 patent identified under subparagraph (A) is infringed;

28 “(D) notice to the intended recipient that the intended recipient may have the right to
29 a stay of any suit in accordance with section 299A;

30 “(E) the identity of any person with the right to enforce each patent under
31 subparagraph (A); and

32 “(F) if compensation is proposed, a short and plain statement as to how that
33 proposed compensation was determined.

34 “(3) ADDITIONAL TIME TO RESPOND.—If the initial written notice provided to the
35 defendant prior to the filing of the civil action did not contain the information required by
36 paragraph (2), the defendant’s time to respond to the complaint shall be extended by an
37 additional 30 days.”.

1 (b) Conforming Amendment.—The table of sections for chapter 29 of title 35, United States
2 Code, as amended by section 5, is amended by adding at the end the following:

3 “299C. Pre-suit written notice.”

4 (c) Willful Infringement.—Section 284 of title 35, United States Code, is amended—

5 (1) in the first undesignated paragraph, by striking “Upon finding” and inserting “(a) In
6 General.—Upon finding”;

7 (2) in the second undesignated paragraph, by striking “When the damages” and inserting
8 “(b) Assessment by Court; Treble Damages.—When the damages”;

9 (3) by inserting after subsection (b), as designated by subparagraph (B), the following:

10 “(c) Willful Infringement.—A claimant seeking to establish willful infringement may not rely
11 on evidence of pre-suit notification of infringement unless that notification complies with the
12 standards set out in section 299C(b)(2).”; and

13 (4) in the last undesignated paragraph, by striking “The court” and inserting “(d) Expert
14 Testimony.—The court”.

15 (d) Effective Date.—The amendments made by this section shall take effect on the date that is
16 1 year after the date of enactment of this Act and shall apply to any action for which a complaint
17 is filed on or after that date.

18 SEC. 9. ABUSIVE DEMAND LETTERS.

19 (a) Bad-Faith Demand Letters.—Chapter 29 of title 35, United States Code, as amended by
20 section 8, is amended by adding at the end the following:

21 “299D. Bad-faith demand letters

22 “(a) Definition.—In this section, the term ‘affiliated person’ means a person affiliated with the
23 intended recipient of a written communication.

24 “(b) Civil Penalties for Certain Unfair or Deceptive Acts or Practices in Connection With
25 Abusive Demand Letters.—~~A person who commits an~~ **Letters.—An** unfair or deceptive act or
26 practice within the meaning of section 5(a)(1) of the Federal Trade Commission Act (15 U.S.C.
27 45(a)(1)), in connection with ~~the assertion of a United States patent, and who engages in~~ the
28 widespread sending of written communications representing that the intended recipients, or any
29 persons affiliated with those recipients, are or may be infringing, or have or may have infringed,
30 ~~the a~~ **a** patent and may bear liability or owe compensation to another, shall be ~~deemed to have~~
31 ~~violated~~ **treated as a violation of** a rule defining an unfair or deceptive act or practice described
32 under section 18(a)(1)(B) of the Federal Trade Commission Act (15 U.S.C. 57a(a)(1)(B)) if—

33 “(1)(A) the communications falsely—

34 “(i) represent that administrative or judicial relief has been sought against the
35 recipient or others; or

36 “(ii) threaten litigation if compensation is not paid, the infringement issue is not
37 otherwise resolved, or the communication is not responded to; and

38 “(B) there is a pattern of false ~~statements~~ **representations** or threats described in

1 subparagraph (A) having been made without litigation or other relief then having been
2 pursued;

3 “(2) the assertions contained in the communications lack a reasonable basis in fact or law,
4 because—

5 “(A) the person asserting the patent is not a person, or does not represent a person,
6 with the current right to license the patent to, or to enforce the patent against, the
7 intended recipients or any affiliated persons;

8 “(B) the communications seek compensation on account of activities undertaken
9 after the patent has expired;

10 “(C) the communications seek compensation for a patent that has been held to be
11 invalid or unenforceable in a final judicial or administrative proceeding that is
12 unappealable or for which any opportunity for appeal is no longer available;

13 “(D) the communications seek compensation for activities by the recipient that the
14 sender knows do not infringe the patent because such activities are authorized by the
15 patentee;

16 “(E) the communications falsely represent that an investigation of the recipient’s
17 alleged infringement has occurred; or

18 “(F) the communications falsely ~~state~~ **represent** that litigation has been filed
19 against, or a license has been paid by persons similarly situated to the recipient; or

20 “(3) the content of the written communications is likely to materially mislead a
21 reasonable recipient because the content fails to include facts reasonably necessary to
22 inform the recipient—

23 “(A) of the identity of the person asserting a right to license the patent to, or enforce
24 the patent against, the intended recipient or any affiliated person;

25 “(B) of the patent issued by the United States Patent and Trademark Office alleged
26 to have been infringed; and

27 “(C) if infringement or the need to pay compensation for a license is alleged, of an
28 identification of at least one product, service, or other activity of the recipient that is
29 alleged to infringe the identified patent or patents and, unless the information is not
30 readily accessible, an explanation of the basis for such allegation.

31 “(c) Enforcement by Federal Trade Commission.—

32 “(1) POWERS OF COMMISSION.—The Federal Trade Commission shall enforce this section
33 in the same manner, by the same means, and with the same jurisdiction, powers, and duties
34 as though all applicable terms and provisions of the Federal Trade Commission Act (15
35 U.S.C. 41 et seq.) were incorporated into and made a part of this section.

36 “(2) PRIVILEGES AND IMMUNITIES.—Any person who engages in an act or practice
37 described in subsection (b) shall be subject to the penalties and entitled to the privileges and
38 immunities provided in the Federal Trade Commission Act (15 U.S.C. 41 et seq.).”

39 **seq.).**

40 “(d) Authority Preserved.—Nothing in this section shall be construed to—

1 **“(1) limit, modify, or expand the authority of the Federal Trade Commission under**
2 **any other provision of law; or**

3 **“(2) alter any defense currently available under the Federal Trade Commission Act**
4 **(15 U.S.C. 41 et seq.).”.**

5 (b) Technical and Conforming Amendment.—The table of sections for chapter 29 of title 35,
6 United States Code, as amended by section 8, is amended by inserting after the item relating to
7 section 299C the following:

8 “299D. Bad-faith demand letters.”.

9 **SEC. 10. TRANSPARENCY OF PATENT TRANSFER.**

10 (a) Patent and Trademark Office Proceedings.—

11 (1) IN GENERAL.—Chapter 26 of title 35, United States Code, is amended by inserting
12 after section 261 the following:

13 **“261A. Disclosure of information relating to patent ownership**

14 “(a) Definitions.—In this section:

15 “(1) PERIOD OF NONCOMPLIANCE.—The term ‘period of noncompliance’ refers to a period
16 of time during which the assignee or the ultimate parent entity of an assignee of a patent has
17 not been disclosed to the United States Patent and Trademark Office in accordance with this
18 section.

19 “(2) ULTIMATE PATENT ENTITY.—

20 “(A) IN GENERAL.—Except as provided in subparagraph (B), the term ‘ultimate
21 parent entity’ has the meaning given such term in section 801.1(a)(3) of title 16, Code
22 of Federal Regulations, or any successor regulation.

23 “(B) MODIFICATION OF DEFINITION.—The Director may by regulation modify the
24 definition of the term ‘ultimate parent entity’.

25 “(b) Requirement To Disclose Assignment.—An assignment of all substantial rights in an
26 issued patent shall be recorded in the Patent and Trademark Office—

27 “(1) not later than the date on which the patent is issued; and

28 “(2) when any subsequent assignment is made that results in a change to the ultimate
29 parent entity—

30 “(A) not later than 3 months after the date on which such assignment is made; or

31 “(B) in the case of an assignment made as part of a corporate acquisition that meets
32 the reporting thresholds under section 7A(a)(2) of the Clayton Act (15 U.S.C.
33 18a(a)(2)), not later than 6 months after the closing date of such acquisition.

34 “(c) Disclosure Requirements.—A disclosure under subsection (b) shall include the name of
35 the assignee and the ultimate parent entity of the assignee.

36 “(d) Failure To Comply.—In a civil action in which a party asserts a claim for infringement of
37 a patent, if there was a failure to comply with subsection (b) for the patent—

1 “(1) the party asserting infringement of the patent may not recover increased damages
2 under section 284 or attorney fees under section 285 with respect to infringing activities
3 taking place during any period of noncompliance, unless the denial of such damages or fees
4 would be manifestly unjust; and

5 “(2) the court shall award to a prevailing accused infringer reasonable attorney fees and
6 expenses incurred in discovering the identity of any undisclosed entity required to be
7 disclosed under subsection (b), unless such sanctions would be manifestly unjust.”.

8 (2) APPLICABILITY.—The amendment made by paragraph (1) shall apply to any patent for
9 which a notice of allowance is issued on or after the date of enactment of this Act.

10 (3) CONFORMING AMENDMENT.—The table of sections for chapter 26 of title 35, United
11 States Code, is amended by adding at the end the following new item:

12 “261A. Disclosure of information relating to patent ownership.”.

13 (b) Regulations.—The Director may promulgate such regulations as are necessary to establish
14 a registration fee in an amount sufficient to recover the estimated costs of administering section
15 261A of title 35, United States Code, as added by subsection (a), to facilitate the collection and
16 maintenance of the information required by the amendments made by this section and section
17 3(b) of this Act, and to ensure the timely disclosure of such information to the public.

18 **SEC. 11. INTER PARTES REVIEW AND POST-GRANT** 19 **PROCEEDINGS.**

20 (a) Amendments to Chapter 31.—Chapter 31 of title 35, United States Code, is
21 amended—

22 (1) in section 313—

23 (A) by striking “If an” and inserting “(a) In General.—If an”; and

24 (B) by adding at the end the following:

25 “(b) Supporting Evidence.—A preliminary response filed under subsection (a) may be
26 supported by affidavits or declarations of supporting evidence and opinions, or such other
27 information as the Director may require by regulation. The petitioner may seek leave to file
28 a reply to respond to new issues raised in the preliminary response, within a time period set
29 by the Director.”;

30 (2) in section 314—

31 (A) in subsection (a)—

32 (i) by striking “The Director” and inserting the following:

33 “(1) The Director”;

34 (ii) by inserting “and any reply” after “any response”; and

35 (iii) by adding at the end the following:

36 “(2) The Director may choose not to institute a proceeding under this section if the
37 Director determines that institution would not serve the interests of justice. In making
38 this determination, the Director shall consider, among other appropriate factors,

1 whether the grounds of unpatentability on prior art or arguments set forth in the
2 petition are the same or substantially the same as those considered and decided in a
3 prior judicial proceeding, or in a prior proceeding before the Office involving the same
4 claim or claims (including a decision by the Director not to institute a proceeding
5 under this chapter), and whether there is another proceeding or matter involving the
6 same patent pending before the Office.

7 “(3) An inter partes review shall not be instituted on the basis that the evidentiary
8 standard before the Office differs from the evidentiary standard that was used in a
9 proceeding before a court of the United States to adjudicate the claim or claims
10 challenged in the petition.”; and

11 (B) in subsection (b)—

12 (i) in paragraph (1), by striking “receiving a preliminary response to the
13 petition” and inserting “receiving the last of a preliminary response to the
14 petition or a reply”; and

15 (ii) in paragraph (2)—

16 (I) by striking “is filed, the” and inserting “is filed or reply is
17 requested, the”; and

18 (II) by inserting “or reply may be requested” after “may be filed”;

19 (3) in section 315—

20 (A) by amending subsection (b) to read as follows:

21 “(b) Patent Owner’s Action.—An inter partes review may not be instituted with respect
22 to a particular claim of a patent if the petition requesting the proceeding is filed more than
23 1 year after the date on which the petitioner, real party in interest, or privy of the
24 petitioner is served with a complaint alleging infringement of that patent claim. The time
25 limitation set forth in the preceding sentence shall not apply to a request for joinder under
26 subsection (c).”;

27 (B) in subsection (c), by adding at the end the following: “A petitioner may
28 petition to add additional patent claims in an instituted inter partes review in
29 which the petitioner is a party, if such petition is made within 1 year after the date
30 on which that petitioner, or the real party in interest or privy of that petitioner, is
31 served with an amended complaint or other paper in a pending litigation for the
32 first time alleging infringement by one or more of them of those patent claims to
33 be added.”; and

34 (C) in subsection (e), by adding at the end the following:

35 “(3) REPRESENTATION BY EITHER PARTY.—A party in an inter partes review of a
36 claim in a patent under this chapter, or the real party in interest or privy of such
37 party, shall be bound in a subsequent proceeding before the Office or civil action in a
38 court of the United States by any representations regarding claim construction made
39 by the party during the inter partes review with respect to the prosecution history of
40 the patent that were finally adopted by the Office in deciding the inter partes review.”;
41 and

1 **(4) in section 316—**

2 **(A) in subsection (a)—**

3 **(i) in paragraph (5), by redesignating subparagraphs (A) and (B) as**
4 **clauses (i) and (ii), respectively, and by adjusting the margins accordingly;**

5 **(ii) by redesignating paragraphs (1) through (13) as subparagraphs (A)**
6 **through (M), respectively, and adjusting the margins accordingly;**

7 **(iii) by striking “The Director shall prescribe regulations—” and inserting**
8 **the following:**

9 **“(1) IN GENERAL.—The Director shall prescribe regulations—”;**

10 **(iv) by amending subparagraph (J), as redesignated, to read as follows:**

11 **“(J) providing either party with the right to have testimony (including cross**
12 **examination of adverse witnesses) heard live by the panel deciding the review**
13 **where the panel finds that such testimony would facilitate resolution of the case**
14 **because genuine issues of material fact, conflicting expert opinions, or issues of**
15 **witness credibility exist, followed by an oral hearing before that panel as part of**
16 **the proceeding;”;**

17 **(v) in subparagraph (L), as redesignated, by striking “and”;**

18 **(vi) in subparagraph (M), as redesignated, by striking the period at the**
19 **end and inserting the following: “, including not less than 1 meaningful**
20 **opportunity to respond to any substitute claim offered as an amendment to**
21 **the patent under subsection (d);”;** and

22 **(vii) by adding at the end the following:**

23 **“(N) providing that for all purposes under this chapter—**

24 **“(i) each claim of a patent shall be construed as such claim would be in a**
25 **civil action to invalidate a patent under section 282(b), including construing**
26 **each claim of the patent in accordance with the ordinary and customary**
27 **meaning of such claim as understood by one of ordinary skill in the art and**
28 **the prosecution history pertaining to the patent; and**

29 **“(ii) if a court of the United States has previously construed the claim or a**
30 **claim term, or made a determination as to the patent’s validity, in a**
31 **proceeding or an action in which the patent owner was a party, the Office**
32 **shall consider such claim construction or determination; and**

33 **“(O) requiring that all decisions of the Patent Trial and Appeal Board in its**
34 **proceedings be available to the public in an easily accessible, searchable form.**

35 **“(2) REQUIREMENTS.—The regulations prescribed under paragraph (1)(I) shall**
36 **provide that—**

37 **“(A) an amendment to propose 1 or more substitute claims shall be made in the**
38 **patent holder’s first paper following institution (other than a request for**
39 **rehearing) and not later than 30 days after the institution of the proceeding,**
40 **unless otherwise agreed to by the parties;**

1 **“(B) any substitute claim must narrow the scope of the cancelled claim and may**
2 **not introduce new subject matter;**

3 **“(C) any amendment shall respond to a ground of unpatentability involved in**
4 **the trial;**

5 **“(D) the petitioner shall have a meaningful opportunity to file a written**
6 **response as to whether the substitute claim meets the requirements of**
7 **subparagraphs (A) through (C) and whether the substitute claim is unpatentable;**
8 **and**

9 **“(E) if a substitute claim meets the requirements of subparagraphs (A) through**
10 **(C), the petitioner shall have the burden of proving a proposition of**
11 **unpatentability of the substitute claim by a preponderance of the evidence.”;**

12 **(B) in subsection (b), by inserting “the interests in clarity in scope and reliance**
13 **on intellectual property rights,” after “patent system,”; and**

14 **(C) in subsection (e)—**

15 **(i) by striking “In an inter partes” and inserting “(1) IN GENERAL.—In an**
16 **inter partes”;**

17 **(ii) by striking “the petitioner” and inserting “the challenged patent shall**
18 **be presumed to be valid. The petitioner”;** and

19 **(iii) by adding at the end the following:**

20 **“(2) RULE OF CONSTRUCTION.—Nothing in this subsection shall be construed to**
21 **impact the operation of section 282(a) in proceedings in a court of the United States.”.**

22 **(b) Amendments to Chapter 32.—Chapter 32 of title 35, United States Code, is**
23 **amended—**

24 **(1) in section 323—**

25 **(A) by striking “If a post-grant” and inserting “(a) In General.—If a**
26 **post-grant”;** and

27 **(B) by adding at the end the following:**

28 **“(b) Supporting Evidence.—A preliminary response filed under subsection (a) may be**
29 **supported by affidavits or declarations of supporting evidence and opinions, or such other**
30 **information as the Director may require by regulation. The petitioner may seek leave to file**
31 **a reply to respond to new issues raised in the preliminary response, within a time period set**
32 **by the Director.”;**

33 **(2) in section 324—**

34 **(A) in subsection (a)—**

35 **(i) by striking “The Director” and inserting the following:**

36 **“(1) The Director”;** and

37 **(ii) by adding at the end the following:**

38 **“(2) The Director may choose not to institute a proceeding under this section if the**

1 Director determines that institution would not serve the interests of justice. In making
2 this determination, the Director shall consider, among other appropriate factors, the
3 grounds of unpatentability on prior art or arguments set forth in the petition are the
4 same or substantially the same as those considered and decided in a prior judicial
5 proceeding, or in a prior proceeding before the Office involving the same claim or
6 claims (including a decision by the Director not to institute a proceeding under this
7 chapter), and whether there is another proceeding or matter involving the same patent
8 pending before the Office.”; and

9 (B) in subsection (c)—

10 (i) in paragraph (1), by striking “receiving a preliminary response to the
11 petition” and inserting “receiving the last of a preliminary response to the
12 petition or a reply”; and

13 (ii) in paragraph (2)—

14 (I) by striking “is filed, the” and inserting “is filed or reply is
15 requested, the”; and

16 (II) by inserting “or reply may be requested” after “may be filed”;

17 (3) in section 325(e), by adding at the end the following:

18 “(3) REPRESENTATIONS BY EITHER PARTY.—A party in a post grant review of a claim
19 in a patent under this chapter, or the real party in interest or privy of such party, shall
20 be bound in a subsequent proceeding before the Office or civil action in a court of the
21 United States by any representations regarding claim construction made by the party
22 during the post grant review with respect to the prosecution history of the patent that
23 were finally adopted by the Office in deciding the post grant review.”; and

24 (4) in section 326—

25 (A) in subsection (a)—

26 (i) by redesignating paragraphs (1) through (12) as subparagraphs (A)
27 through (L), respectively, and adjusting the margins accordingly;

28 (ii) by striking “The Director shall prescribe regulations—” and inserting
29 the following:

30 “(1) IN GENERAL.—The Director shall prescribe regulations—”;

31 (iii) by amending subparagraph (J), as redesignated, to read as follows:

32 “(J) providing either party with the right to have testimony (including cross
33 examination of adverse witnesses) heard live by the panel deciding the review
34 where the panel finds that such testimony would facilitate resolution of the case
35 because genuine issues of material fact, conflicting expert opinions, or issues of
36 witness credibility exist, followed by an oral hearing before that panel as part of
37 the proceeding;”;

38 (iv) in subparagraph (K), as redesignated, by striking “and”;

39 (v) in subparagraph (L), as redesignated, by striking the period at the end
40 and inserting the following: “, including not less than 1 meaningful

1 opportunity to respond to any substitute claim offered as an amendment to
2 the patent under subsection (d);” and

3 (vi) by adding at the end the following:

4 “(M) providing that for all purposes under this chapter—

5 “(i) each claim of a patent shall be construed as such claim would be in a
6 civil action to invalidate a patent under section 282(b), including construing
7 each claim of the patent in accordance with the ordinary and customary
8 meaning of such claim as understood by one of ordinary skill in the art and
9 the prosecution history pertaining to the patent; and

10 “(ii) if a court of the United States has previously construed the claim or a
11 claim term, or made a determination as to the patent’s validity, in a
12 proceeding or an action in which the patent owner was a party, the Office
13 shall consider such claim construction or determination; and

14 “(N) requiring that all decisions of the Patent Trial and Appeal Board in its
15 proceedings be available to the public in an easily accessible, searchable form.

16 “(2) REQUIREMENTS.—The regulations prescribed under paragraph (1)(I) shall
17 provide that—

18 “(A) an amendment to propose 1 or more substitute claims shall be made in the
19 patent holder’s first paper following institution (other than a request for a
20 rehearing) and not later than 30 days after the institution of the proceeding,
21 unless otherwise agreed to by the parties;

22 “(B) any substitute claim must narrow the scope of the cancelled claim and may
23 not introduce new subject matter;

24 “(C) any amendment shall respond to a ground of unpatentability involved in
25 the trial;

26 “(D) the petitioner shall have a meaningful opportunity to file a written
27 response as to whether the substitute claim meets the requirements of
28 subparagraphs (A) through (C) and whether the substitute claim is unpatentable;
29 and

30 “(E) if a substitute claim meets the requirements of subparagraphs (A) through
31 (C), the petitioner shall have the burden of proving a proposition of
32 unpatentability of the substitute claim by a preponderance of the evidence.”;

33 (B) in subsection (b), by inserting “the interests in clarity in scope and reliance
34 on intellectual property rights,” after “patent system,”; and

35 (C) in subsection (e)—

36 (i) by striking “In a post-grant” and inserting “(1) IN GENERAL.—In a
37 post-grant”;

38 (ii) by striking “the petitioner” and inserting “the challenged patent shall
39 be presumed to be valid. The petitioner”; and

40 (iii) by adding at the end the following:

1 “(2) **RULE OF CONSTRUCTION.**—Nothing in this subsection shall be construed to
2 impact the operation of section 282(a) in proceedings in a court of the United States.”.

3 **(c) Director Requirements.**—

4 **(1) THREE-MEMBER PANELS.**—Not later than 1 year after the date of enactment of
5 this Act, the Director shall prescribe regulations governing the composition of panels
6 convened to adjudicate a post-grant review or inter partes review under section 6 of
7 title 35, United States Code, to ensure that the panel adjudicating such proceeding
8 consists of not more than 1 individual, if any, who participated in the decision to
9 institute such proceeding. Such regulations may prescribe that the decision to institute
10 a proceeding shall be made by designees of the Director other than members of the
11 Patent Trial and Appeal Board.

12 **(2) REPRESENTATIONS TO THE OFFICE.**—

13 **(A) REGULATIONS.**—Not later than 1 year after the date of enactment of this
14 Act, the Director shall issue regulations to make clear that an attorney or
15 unrepresented party presenting a statement, petition, or other submission to the
16 Office does so under an obligation substantially similar to the obligations
17 contained in rule 11 of the Federal Rules of Civil Procedure.

18 **(B) INTERACTION WITH EXISTING RULES.**—Regulations promulgated under this
19 paragraph shall not be construed to undermine or otherwise limit existing
20 regulations governing professional conduct before the Office, including
21 regulations recognizing the duty of candor and good faith, the duty to disclose in a
22 proceeding under section 311 or 321 of title 35, United States Code, information
23 that is inconsistent with a position advanced by the party during such proceeding,
24 and the duty to disclose information material to patentability.

25 **(d) Effective Date.**—

26 **(1) IN GENERAL.**—Except as provided in paragraph (2), the Director shall, not later
27 than the date that is 1 year after the date of enactment of this Act, issue regulations
28 implementing the amendments made by this section to chapters 31 and 32 of title 35,
29 United States Code.

30 **(2) EXCEPTION.**—The Director shall, not later than the date that is 6 months after
31 the date of enactment of this Act, issue regulations implementing the amendments
32 made by this section to paragraph (10) of sections 316(a) and 326(a) of title 35, United
33 States Code, the amendment adding paragraph (14) to section 316(a) of title 35, United
34 States Code, and the amendment adding paragraph (13) to section 326(a) title 35,
35 United States Code.

36 **(3) REGULATIONS.**—The regulations issued under this section shall take effect on the
37 date on which they are issued and shall apply to all proceedings under chapters 31 and
38 32 of title 35, United States Code, for which a petition for review under section 311 or
39 321 of title 35, United States Code, is filed on or after such date of issuance.

40 **SEC. 12. PROTECTION OF INTELLECTUAL PROPERTY**
41 **LICENSES IN BANKRUPTCY.**

1 (a) In General.—Section 1522 of title 11, United States Code, is amended by adding at the end
2 the following:

3 “(e) Section 365(n) shall apply to cases under this chapter. If the foreign representative rejects
4 or repudiates a contract under which the debtor is a licensor of intellectual property, the licensee
5 under such contract shall be entitled to make the election and exercise the rights described in
6 section 365(n).”.

7 (b) Trademarks.—

8 (1) AMENDMENT.—Section 101(35A) of title 11, United States Code, is amended—

9 (A) in subparagraph (E), by striking “or”;

10 (B) in subparagraph (F), by adding “or” at the end; and

11 (C) by adding after subparagraph (F) the following new subparagraph:

12 “(G) a trademark, service mark, or trade name, as those terms are defined in section
13 45 of the Act of July 5, 1946 (commonly referred to as the ‘Trademark Act of 1946’
14 (15 U.S.C. 1127));”.

15 (2) CONFORMING AMENDMENT.—Section 365(n)(2) of title 11, United States Code, is
16 amended—

17 (A) in subparagraph (B)—

18 (i) by striking “royalty payments” and inserting “royalty or other payments”;
19 and

20 (ii) by striking “and” after the semicolon;

21 (B) in subparagraph (C), by striking the period at the end of clause (ii) and inserting
22 “; and”; and

23 (C) by adding at the end the following new subparagraph:

24 “(D) in the case of a trademark, service mark, or trade name, the licensee shall not
25 be relieved of any of its obligations to maintain the quality of the products and services
26 offered under or in connection with the licensed trademark, service mark or trade
27 name, and the trustee shall retain the right to oversee and enforce quality control for
28 said products and/or services.”.

29 (c) Effective Date.—The amendments made by this section shall take effect on the date of
30 enactment of this Act and shall apply to any case that is pending on, or for which a petition or
31 complaint is filed on or after, such date of enactment.

32 **SEC. ~~12~~ 13. SMALL BUSINESS EDUCATION, OUTREACH,**
33 **AND INFORMATION ACCESS.**

34 (a) Small Business Education and Outreach.—

35 (1) RESOURCES FOR SMALL BUSINESS.—Using existing resources, the Director shall
36 develop educational resources for small businesses to address concerns arising from patent
37 infringement.

1 (2) SMALL BUSINESS PATENT OMBUDSMAN.—The existing small business patent outreach
2 programs of the Office, in consultation with the relevant offices at the Small Business
3 Administration and the Minority Business Development Agency, shall provide education
4 and awareness regarding resources available for those persons responding to allegations of
5 patent infringement.

6 (b) Improving Information Transparency for Small Business and the United States Patent and
7 Trademark Office Users.—

8 (1) WEB SITE.—Using existing resources, the Director shall create a user-friendly section
9 on the official Web site of the Office to notify the public when a patent case is brought in
10 Federal court and, with respect to each patent at issue in such case, the Director shall
11 include—

12 (A) information disclosed under section 261A of title 35, United States Code, as
13 added by section 10, and section 281B(b) of title 35, United States Code, as added by
14 section 3; and

15 (B) any other information the Director determines to be relevant.

16 (2) FORMAT.—In order to promote accessibility for the public, the information described
17 in paragraph (1) shall be searchable by patent number, patent art area, and entity.

18 SEC. ~~13~~ 14. STUDIES ON PATENT TRANSACTIONS, 19 QUALITY, AND EXAMINATION.

20 (a) Study on Secondary Market Oversight for Patent Transactions To Promote Transparency
21 and Ethical Business Practices.—

22 (1) STUDY REQUIRED.—The Director, in consultation with the Secretary of Commerce,
23 the Secretary of the Treasury, the Chairman of the Securities and Exchange Commission,
24 the heads of other relevant agencies, and interested parties, shall, using existing resources of
25 the Office, conduct a study—

26 (A) to develop legislative recommendations to ensure greater transparency and
27 accountability in patent transactions occurring on the secondary market;

28 (B) to examine the economic impact that the patent secondary market has on the
29 United States;

30 (C) to examine licensing and other oversight requirements that may be placed on the
31 patent secondary market, including on the participants in such markets, to ensure that
32 the market is a level playing field and that brokers in the market have the requisite
33 expertise and adhere to ethical business practices; and

34 (D) to examine the requirements placed on other markets.

35 (2) REPORT ON STUDY.—Not later than 18 months after the date of enactment of this Act,
36 the Director shall submit a report to the Committee on the Judiciary of the House of
37 Representatives and the Committee on the Judiciary of the Senate on the findings and
38 recommendations of the Director from the study required under paragraph (1).

39 (b) Study on Patent Small Claims Procedures.—

1 (1) STUDY REQUIRED.—

2 (A) IN GENERAL.—The Director of the Administrative Office of the United States
3 Courts, in consultation with the Director of the Federal Judicial Center and the United
4 States Patent and Trademark Office, shall, using existing resources, conduct a study to
5 examine the idea of developing a pilot program for patent small claims procedures in
6 certain judicial districts within the existing patent pilot program mandated by Public
7 Law 111–349.

8 (B) CONTENTS OF STUDY.—The study under subparagraph (A) shall examine—

9 (i) the necessary criteria for using small claims procedures;

10 (ii) the costs that would be incurred for establishing, maintaining, and operating
11 such a pilot program; and

12 (iii) the steps that would be taken to ensure that the procedures used in the pilot
13 program are not misused for abusive patent litigation.

14 (2) REPORT ON STUDY.—Not later than 1 year after the date of enactment of this Act, the
15 Director of the Administrative Office of the United States Courts shall submit a report to the
16 Committee on the Judiciary of the House of Representatives and the Committee on the
17 Judiciary of the Senate on the findings and recommendations of the Director of the
18 Administrative Office from the study required under paragraph (1).

19 (c) Study on Business Method Patent Quality.—

20 (1) GAO STUDY.—The Comptroller General of the United States shall, using existing
21 resources, conduct a study on the volume and nature of litigation involving business method
22 patents.

23 (2) CONTENTS OF STUDY.—The study required under paragraph (1) shall focus on
24 examining the quality of business method patents asserted in suits alleging patent
25 infringement, and may include an examination of any other areas that the Comptroller
26 General determines to be relevant.

27 (3) REPORT TO CONGRESS.—Not later than 1 year after the date of enactment of this Act,
28 the Comptroller General shall submit to the Committee on the Judiciary of the House of
29 Representatives and the Committee on the Judiciary of the Senate a report on the findings
30 and recommendations from the study required by this subsection, including
31 recommendations for any changes to laws or regulations that the Comptroller General
32 considers appropriate on the basis of the study.

33 **SEC. 15. TECHNICAL CORRECTIONS TO THE**
34 **LEAHY-SMITH AMERICA INVENTS ACT AND OTHER**
35 **IMPROVEMENTS.**

36 (a) ~~Section~~ **Estoppel.**—**Section** 325(e)(2) of title 35, United States Code, is amended by
37 striking “or reasonably could have raised”.

38 (b) PTO Patent Reviews.—

39 (1) CLARIFICATION.—

1 (A) SCOPE OF PRIOR ART.—Section 18(a)(1)(C)(i) of the Leahy-Smith America
2 Invents Act (35 U.S.C. 321 note) is amended by striking “section 102(a)” and inserting
3 “subsection (a) or (e) of section 102”.

4 (B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall take effect
5 on the date of the enactment of this Act and shall apply to any proceeding pending on,
6 or filed on or after, such date of enactment.

7 (2) AUTHORITY TO WAIVE FEE.—Subject to available resources, the Director may waive
8 payment of a filing fee for a transitional proceeding described under section 18(a) of the
9 Leahy-Smith America Invents Act (35 U.S.C. 321 note).

10 (c) Technical Corrections.—

11 (1) NOVELTY.—

12 (A) AMENDMENT.—Section 102(b)(1)(A) of title 35, United States Code, is
13 amended by striking “the inventor or joint inventor or by another” and inserting “the
14 inventor or a joint inventor or another”.

15 (B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall be effective
16 as if included in the amendment made by section 3(b)(1) of the Leahy-Smith America
17 Invents Act (Public Law 112–29).

18 (2) INVENTOR’S OATH OR DECLARATION.—

19 (A) REQUIREMENT TO EXECUTE.—Section 115(a) of title 35, United States Code, is
20 amended in the second sentence by striking “shall execute” and inserting “may be
21 required by the Director to execute”.

22 (B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall be effective
23 as if included in the amendment made by section 4(a)(1) of the Leahy-Smith America
24 Invents Act (Public Law 112–29).

25 (3) ASSIGNEE FILERS.—

26 (A) BENEFIT OF EARLIER FILING DATE; RIGHT OF PRIORITY.—Section 119(e)(1) of title
27 35, United States Code, is amended, in the first sentence, by striking “by an inventor or
28 inventors named” and inserting “that names the inventor or a joint inventor”.

29 (B) BENEFIT OF EARLIER FILING DATE IN THE UNITED STATES.—Section 120 of title
30 35, United States Code, is amended, in the first sentence, by striking “names an
31 inventor or joint inventor” and inserting “names the inventor or a joint inventor”.

32 (C) EFFECTIVE DATE.—The amendments made by this paragraph shall take effect on
33 the date of the enactment of this Act and shall apply to any patent application, and any
34 patent issuing from such application, that is filed on or after September 16, 2012.

35 (4) DERIVED PATENTS.—

36 (A) AMENDMENT.—Section 291(b) of title 35, United States Code, is amended by
37 striking “or joint inventor” and inserting “or a joint inventor”.

38 (B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall be effective
39 as if included in the amendment made by section 3(h)(1) of the Leahy-Smith America
40 Invents Act (Public Law 112–29).

1 (5) SPECIFICATION.—Notwithstanding section 4(e) of the Leahy-Smith America Invents
2 Act (Public Law 112–29; 125 Stat. 297), the amendments made by subsections (c) and (d)
3 of section 4 of such Act shall apply to any proceeding or matter that is pending on, or filed
4 on or after, the date of the enactment of this Act.

5 (6) TIME LIMIT FOR COMMENCING MISCONDUCT PROCEEDINGS.—

6 (A) AMENDMENT.—The fourth sentence of section 32 of title 35, United States
7 Code, is amended by striking “1 year” and inserting “18 months”.

8 (B) EFFECTIVE DATE.—The amendment made by this paragraph shall take effect on
9 the date of the enactment of this Act and shall apply to any action in which the Office
10 files a complaint on or after such date of enactment.

11 (7) PATENT OWNER RESPONSE.—

12 (A) CONDUCT OF INTER PARTES REVIEW.—Paragraph (8) of section 316(a) of title 35,
13 United States Code, is amended by striking “the petition under section 313” and
14 inserting “the petition under section 311”.

15 (B) CONDUCT OF POST-GRANT REVIEW.—Paragraph (8) of section 326(a) of title 35,
16 United States Code, is amended by striking “the petition under section 323” and
17 inserting “the petition under section 321”.

18 (C) EFFECTIVE DATE.—The amendments made by this paragraph shall take effect on
19 the date of the enactment of this Act.

20 **(8) GLOBAL WORKSHARING.—Section 122 of title 35, United States Code, is**
21 **amended—**

22 **(A) in subsection (a), by striking “subsection (b)” and inserting “subsections (b)**
23 **and (f)”;** and

24 **(B) by adding at the end the following:**

25 **“(f) Foreign or International Filing.—The Director may provide information concerning**
26 **an application for a patent to a foreign country or international intergovernmental**
27 **organization if a corresponding application is filed in such foreign country or with such**
28 **international intergovernmental organization. If the corresponding application is an**
29 **international application, such information may also be provided to an International**
30 **Searching Authority, an International Preliminary Examining Authority, and the**
31 **International Bureau (as defined in section 351).”.**

32 **(9) APPOINTMENTS CLARIFICATION.—Section 3(b)(3) of title 35, United State Code, is**
33 **amended—**

34 **(A) by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C),**
35 **respectively;**

36 **(B) by inserting before subparagraph (B), as redesignated, the following:**

37 **“(A) nominate, for appointment by the Secretary of Commerce, such officers as**
38 **the Director considers necessary to carry out the functions of the Office and who**
39 **may exercise any authority delegated by the Director or a Commissioner;”;** and

40 **(C) in subparagraph (B), as redesignated, by striking “officers, employees**

1 (including attorneys),” and inserting “employees (including attorneys)”.

2 (10) PUBLIC ADVISORY COMMITTEES.—Section 5(h) of title 35, United States Code, is
3 amended by inserting before the period at the end the following: “, except that
4 members of each Advisory Committee shall be considered to be serving on an advisory
5 committee within the meaning of the Federal Advisory Committee Act for purposes of
6 section 208(b)(3) of title 18”.

7 (11) MICROENTITY FEE.—Section 123(d)(1) of title 35, United States Code, is
8 amended by inserting after “(20 U.S.C. 1001(a))” the following: “or a comparable
9 institution of higher education outside the United States”.

10 (12) ELECTRONIC FILING TIMEZONE ALIGNMENT.—

11 (A) AMENDMENT.—Section 21 of title 35, United States Code, is amended by—

12 (i) redesignating subsection (b) as subsection (c), and

13 (ii) inserting after subsection (a) the following:

14 “(b) The Director may by rule prescribe that any paper or fee required to be filed in the
15 United States Patent and Trademark Office will be considered filed in the Office on the
16 date on which it is submitted using the electronic filing system prescribed by the Director
17 or would have been submitted but for filing system interruptions or emergencies
18 designated by the Director.”.

19 (B) EFFECTIVE DATE.—The amendments made by this paragraph shall take
20 effect on the date that is 1 year after the date of enactment of this Act and shall
21 apply to papers or fees that are filed on or after that date.

22 (d) Management of the United States Patent and Trademark Office.—

23 (1) IN GENERAL.—Section 3(b)(1) of title 35, United States Code, is amended in the first
24 sentence—

25 (A) by striking “be vested with the authority to act in the capacity of the” and
26 inserting “serve as Acting,”; and

27 (B) by inserting before the period “or in the event of a vacancy in the office of the
28 Director.”.

29 (2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect on the
30 date of enactment of this Act and shall apply with respect to appointments and vacancies
31 occurring before, on, or after the date of enactment of this Act.

32 (e) Extension of Fee Setting Authority.—Section 10(i)(2) of the Leahy-Smith America
33 Invents Act (Public Law 112–29; 125 Stat. 319) is amended by striking “7-year” and
34 inserting “14-year”.

35 (f) Patents for Humanity Program.—

36 (1) SHORT TITLE.—This subsection may be cited as the “Patents for Humanity
37 Program Improvement Act”.

38 (2) TRANSFERABILITY OF ACCELERATION CERTIFICATES.—A holder of an
39 acceleration certificate issued pursuant to the Patents for Humanity Program

1 (established in the notice entitled “Humanitarian Awards Pilot Program”, published
2 at 77 Fed. Reg. 6544 (February 8, 2012)), or any successor thereto, of the United States
3 Patent and Trademark Office, may transfer (including by sale) the entitlement to such
4 acceleration certificate to another person.

5 (3) REQUIREMENT.—An acceleration certificate transferred under paragraph (1)
6 shall be subject to any other applicable limitations under the notice entitled
7 “Humanitarian Awards Pilot Program”, published at 77 Fed. Reg. 6544 (February 8,
8 2012), or any successor thereto.

9 **SEC. 16 ~~SEC. 15~~. EFFECTIVE DATE.**

10 Except as otherwise provided in this Act, ~~the provisions of this Act and the amendments~~
11 **made by** this Act shall take effect on the date of enactment of this Act, and shall apply to any
12 patent issued, or any action filed, on or after that date.

13 **SEC. ~~16~~ 17. SEVERABILITY.**

14 If any provision of this Act, or an amendment made by this Act, or the application of such
15 provision or amendment to any person or circumstance, is held to be invalid, the remainder of
16 this Act, or an amendment made by this Act, or the application of such provision to other persons
17 or circumstances, shall not be affected.