111TH CONGRESS
1ST SESSION

H. R. ______

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

IN THE HOUSE OF REPRESENTATIVES

Mr. CONYERS introduced the following bill; which was referred to the Committee on ____________________

A BILL

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

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 “Patent Reform Act of 2009”.

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

Sec. 1. Short title; table of contents.
Sec. 2. Definition.
Sec. 3. Right of the first inventor to file.
Sec. 4. Inventor’s oath or declaration.
Sec. 5. Right of the inventor to obtain damages.
Sec. 6. Post-grant procedures and other quality enhancements.
Sec. 7. Definitions; patent trial and appeal board.
Sec. 8. Study and report on reexamination proceedings.
Sec. 9. Preissuance submissions by third parties.
Sec. 10. Venue and jurisdiction.
Sec. 11. Patent and trademark office regulatory authority.
Sec. 12. Residency of Federal Circuit judges.
Sec. 13. Micro-entity defined.
Sec. 15. Effective date; rule of construction.
Sec. 16. Study of special masters in patent cases.
Sec. 17. Study on workplace conditions.
Sec. 18. Study on patent damages.
Sec. 19. Severability.

SEC. 2. DEFINITION.

In this Act, the term “Director” means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

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

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

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

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

“(h) The ‘effective filing date of a claimed invention’ is—

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

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

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

(b) CONDITIONS FOR PATENTABILITY.—

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

“§ 102. Conditions for patentability; novelty

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

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

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

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

“(b) EXCEPTIONS.—

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

“(2) DERIVATION, PRIOR DISCLOSURE, AND
COMMON ASSIGNMENT EXCEPTIONS.—Subject mat-
ter that would otherwise qualify as prior art only
under subsection (a)(2) shall not be prior art to a
claimed invention if—

“(A) the subject matter was obtained di-
rectly or indirectly from the inventor or a joint
inventor;

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

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

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

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

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

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

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

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

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

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

(2) 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.”.

(e) 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 though the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains. Patentability shall not be negated by the manner in which the invention was made.”.

(d) Repeal of requirements for inventions made abroad.—Section 104 of title 35, United States Code, and the item relating to that section in the table of sections for chapter 10 of title 35, United States Code, are repealed.

(e) Repeal of statutory invention registration.—

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

(2) Removal of cross references.—Section 111(b)(8) of title 35, United States Code, is amended by striking “sections 115, 131, 135, and 157” and inserting “sections 131 and 135”.
(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(a) would end before the end of that 2-year period”; and

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

(B) in paragraph (3), by striking “any statutory bar date that may occur under this title due to publication, on sale, or public use” and inserting “the expiration of the 1-year period referred to in section 102(a)”.
(h) REPEAL OF INTERFERING PATENT REMEDIES.—

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

(i) ACTION FOR CLAIM TO PATENT ON DERIVED INVENTION.—Section 135 of title 35, United States Code, is amended to read as follows:

“§ 135. Derivation proceedings

“(a) DISPUTE OVER RIGHT TO PATENT.—

“(1) INSTITUTION OF DERIVATION PROCEEDING.—An applicant may request initiation of a derivation proceeding to determine the right of the applicant to a patent by filing a request which sets forth with particularity the basis for finding that an earlier applicant derived the claimed invention from the applicant requesting the proceeding and, without authorization, filed an application claiming such invention. Any such request may only be made within 12 months after the date of first publication of an application containing a claim that is the same or is substantially the same as the claimed invention, must be made under oath, and must be supported by substantial evidence. Whenever the Director determines that patents or applications for patent naming different individuals as the inventor interfere
with one another because of a dispute over the right to patent under section 101, the Director shall institute a derivation proceeding for the purpose of determining which applicant is entitled to a patent.

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

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

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

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

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

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

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

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

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

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

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

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

(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.”.

(9) Certain Appeals.—Section 1295(a)(4)(A) of title 28, United States Code, is amended to read as follows:
“(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to patent applications, interference proceedings (commenced before the date of enactment of the Patent Reform Act of 2009), derivation proceedings, and post-grant review proceedings, at the instance of an applicant for a patent or any party to a patent interference (commenced before the effective date of the Patent Reform Act of 2009), derivation proceeding, or post-grant review proceeding, and any such appeal shall waive any right of such applicant or party to proceed under section 145 or 146 of title 35;”.

(k) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section—

(A) shall take effect 90 days after the date on which the President issues an Executive order containing the President’s finding that major patenting authorities have adopted a grace period having substantially the same effect as that contained under the amendments made by this section; and
(B) shall apply to all applications for patent that are filed on or after the effective date under subparagraph (A).

(2) DEFINITIONS.—In this subsection:

(A) MAJOR PATENTING AUTHORITIES.—
The term “major patenting authorities” means at least the patenting authorities in Europe and Japan.

(B) GRACE PERIOD.—The term “grace period” means the 1-year period ending on the effective filing date of a claimed invention, during which disclosures of the subject matter by the inventor or a joint inventor, or by others who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor, do not qualify as prior art to the claimed invention.

(C) EFFECTIVE FILING DATE.—The term “effective filing date of a claimed invention” means, with respect to a patenting authority in another country, a date equivalent to the effective filing date of a claimed invention as defined in section 100(h) of title 35, United States Code, as added by subsection (a) of this section.
(3) RETENTION OF INTERFERENCE PROCEDURES WITH RESPECT TO APPLICATIONS FILED BEFORE EFFECTIVE DATE.—In the case of any application for patent that is filed before the effective date under paragraph (1)(A), the provisions of law repealed or amended by subsections (h), (i), and (j) shall apply to such application as such provisions of law were in effect on the day before such effective date.

(l) REVIEW EVERY 7 YEARS.—Not later than the end of the 7-year period beginning on the effective date under subsection (k), and the end of every 7-year period thereafter, the Director shall—

(1) conduct a study on the effectiveness and efficiency of the amendments made by this section; and

(2) submit to the Committees on the Judiciary of the House of Representatives and the Senate a report on the results of the study, including any recommendations the Director has on amendments to the law and other recommendations of the Director with respect to the first-to-file system implemented under the amendments made by this section.

SEC. 4. INVENTOR’S OATH OR DECLARATION.

(a) INVENTOR’S OATH OR DECLARATION.—
(1) IN GENERAL.—Section 115 of title 35, United States Code, is amended to read as follows:

“§ 115. Inventor’s oath or declaration

“(a) Naming the Inventor; Inventor’s Oath or Declaration.—An application for patent that is filed under section 111(a), that commences the national stage under section 363, or that is filed by an inventor for an invention for which an application has previously been filed under this title by that inventor shall include, or be amended to include, the name of the inventor of any claimed invention in the application. Except as otherwise provided in this section, an individual who is the inventor or a joint inventor of a claimed invention in an application for 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 has assigned rights in an application for patent may include the required statements under subsections (b) and (c) in the assignment executed by the individual, in lieu of filing such statements separately.

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

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

“(1) an oath or declaration meeting the require-
ments of subsection (a) was executed by the indi-
vidual and was filed in connection with the earlier-
filed application;

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

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

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

“(1) IN GENERAL.—Any person making a state-
ment required under this section may withdraw, re-
place, or otherwise correct the statement at any
time. If a change is made in the naming of the in-
vendor requiring the filing of 1 or more additional
statements under this section, the Director shall es-
ablish regulations under which such additional
statements may be filed.
“(2) SUPPLEMENTAL STATEMENTS NOT REQUIRED.—If an individual has executed an oath or declaration under subsection (a) or an assignment meeting the requirements of subsection (e) with respect to an application for patent, the Director may not thereafter require that individual to make any additional oath, declaration, or other statement equivalent to those required by this section in connection with the application for patent or any patent issuing thereon.

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

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

(2) RELATIONSHIP TO DIVISIONAL APPLICATIONS.—Section 121 of title 35, United States Code, is amended by striking “If a divisional application” and all that follows through “inventor.”.
(3) Requirements for nonprovisional applications.—Section 111(a) of title 35, United States Code, is amended—

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

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

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

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

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

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

(1) in the first paragraph—

(A) by striking “The specification” and inserting “(a) IN GENERAL.—The specification”; and

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

(2) in the second paragraph—
(A) by striking “The specifications” and inserting “(b) CONCLUSION.—The specifications”; and

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

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

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

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

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

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

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

“§ 284. Damages

“(a) IN GENERAL.—Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than
a reasonable royalty for the use made of the invention by
the infringer, together with interest and costs as fixed by
the court, subject to the provisions of this section.

“(b) Determination of Damages; Evidence Considered; Procedure.—The court may receive expert
testimony as an aid to the determination of damages or
of what royalty would be reasonable under the cir-
cumstances. The admissibility of such testimony shall be
governed by the rules of evidence governing expert testi-
mony. When the damages are not found by a jury, the
court shall assess them.

“(c) Standard for Calculating Reasonable Royalty.—

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

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

“(B) ESTABLISHED ROYALTY BASED ON
MARKETPLACE LICENSING.—Upon a showing to
the satisfaction of the court that the claimed in-
vention has been the subject of a nonexclusive
license for the use made of the invention by the
infringer, to a number of persons sufficient to
indicate a general marketplace recognition of
the reasonableness of the licensing terms, if the
license was secured prior to the filing of the
case before the court, and the court determines
that the infringer’s use is of substantially the
same scope, volume, and benefit of the rights
granted under such license, damages may be
determined on the basis of the terms of such li-
cense. Upon a showing to the satisfaction of the
court that the claimed invention has sufficiently
similar noninfringing substitutes in the relevant
market, which have themselves been the subject
of such nonexclusive licenses, and the court de-
terminates that the infringer’s use is of substantially the same scope, volume, and benefit of the rights granted under such licenses, damages may be determined on the basis of the terms of such licenses.

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

“(2) ADDITIONAL FACTORS.—Where the court determines it to be appropriate in determining a reasonable royalty under paragraph (1), the court may
also consider, or direct the jury to consider, any other relevant factors under applicable law.

“(d) INAPPLICABILITY TO OTHER DAMAGES ANALYSIS.—The methods for calculating a reasonable royalty described in subsection (c) shall have no application to the calculation of an award of damages that does not necessitate the determination of a reasonable royalty as a basis for monetary relief sought by the claimant

“(e) WILLFUL INFRINGEMENT.—

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

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

“(A) after receiving written notice from the patentee—

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

“(ii) identifying with particularity
each claim of the patent, each product or
process that the patent owner alleges in-
fringes the patent, and the relationship of
such product or process to such claim,
the infringer, after a reasonable opportunity to
investigate, thereafter performed 1 or more of
the alleged acts of infringement;

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

“(C) after having been found by a court to
have infringed that patent, the infringer en-
gaged in conduct that was not colorably dif-
f erent from the conduct previously found to
have infringed the patent, and which resulted in
a separate finding of infringement of the same
patent.

“(3) LIMITATIONS ON WILLFULNESS.—

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

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

“(i) reasonable reliance on advice of
counsel;

“(ii) evidence that the infringer
sought to modify its conduct to avoid in-
fringement once it had discovered the pat-
ent; or

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

“(C) Relevance of not presenting
certain evidence.—The decision of the in-
fringer not to present evidence of advice of
counsel is not relevant to a determination of
willful infringement under paragraph (2).

“(4) Limitation on pleading.—Before the
date on which a court determines that the patent in
suit is not invalid, is enforceable, and has been in-
fringed by the infringer, a patentee may not plead
and a court may not determine that an infringer has
willfully infringed a patent.”.

(b) REPORT TO CONGRESSIONAL COMMITTEES.—

(1) IN GENERAL.—Not later than 2 years after
the date of enactment of this Act, the Director shall
report to the Committee on the Judiciary of the
House of Representatives and the Committee on the
Judiciary of the Senate, the findings and rec-
ommendations of the Director on the operation of
prior user rights in selected countries in the indus-
trialized world. The report shall include the fol-
lowing:

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

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

(C) An analysis of the correlation, if any,
between prior user rights and start-up enter-
prises and the ability to attract venture capital
to start new companies.
(D) An analysis of the effect of prior user rights, if any, on small businesses, universities, and individual inventors.

(E) An analysis of legal and constitutional issues, if any, that arise from placing trade secret law in patent law.

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

(c) 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. Not-
withstanding 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.’’.

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

(e) REVIEW EVERY 7 YEARS.—Not later than the
end of the 7-year period beginning on the date of the en-
actment of this Act, and the end of every 7-year period
thereafter, the Director shall—

(1) conduct a study on the effectiveness and ef-
ficiency of the amendments made by this section;
and

(2) submit to the Committee on the Judiciary
of the House of Representatives and the Committee
on the Judiciary of the Senate a report on the re-
sults of the study, including any recommendations
the Director has on amendments to the law and
other recommendations of the Director with respect
to the right of the inventor to obtain damages for
patent infringement.
SEC. 6. POST-GRANT PROCEDURES AND OTHER QUALITY ENHANCEMENTS.

(a) Citation of Prior Art.—Section 301 of title 35, United States Code, is amended to read as follows:

“§ 301. Citation of prior art

“(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;

“(2) written statements of the patent owner filed in a proceeding before a Federal court, the Patent and Trademark Office, or the United States International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), in which the patent owner takes a position on the scope of one or more patent claims; or

“(3) documentary evidence that the claimed invention was in substantial public use or on sale in the United States more than 1 year prior to the date of the application for patent in the United States.

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

“(c) Procedures for Written Statements.—

“(1) Submission of Additional Materials.—A party that submits written statements
under subsection (a)(2) in a proceeding shall include
any other documents, pleadings, or evidence from
the proceeding that address the patent owner’s
statements or the claims addressed by the written
statements.

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

“(d) Identity Withheld.—Upon the written re-
quest of the person making the citation under subsection
(a), the person’s identity shall be excluded from the patent file and kept confidential.”.

(b) REQUEST FOR REEXAMINATION.—The first sentence of section 302 of title 35, United States Code, is amended to read as follows: “Any person at any time may file a request for reexamination by the Office of any claim on a patent on the basis of any prior art or documentary evidence cited under paragraph (1) or (3) of subsection (a) of section 301 of this title.”.

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

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

(d) Request for Inter Partes Reexamination.—Section 311(a) of title 35, United States Code, is amended to read as follows:

“(a) IN GENERAL.—Any third-party requester at any time may file a request for inter partes reexamination by the Office of a patent on the basis of any prior art or documentary evidence cited under paragraph (1) or (3) of subsection (a) of section 301 of this title.”.

(e) Conduct of Inter Partes Proceedings.—Section 314 of title 35, United States Code, is amended—

(1) in the first sentence of subsection (a), by striking “conducted according to the procedures established for initial examination under the provisions of sections 132 and 133” and inserting “heard by an administrative patent judge in accordance with procedures which the Director shall establish”;

(2) in subsection (b), by striking paragraph (2) and inserting the following:

“(2) The third-party requester shall have the opportunity to file written comments on any action on the merits by the Office in the inter partes reexamination proceeding, and on any response that the patent owner files to such an action, if those written comments are received
by the Office within 60 days after the date of service on
the third-party requester of the Office action or patent
owner response, as the case may be.”; and

(3) by adding at the end the following:

“(d) Oral Hearing.—At the request of a third
party requester or the patent owner, the administrative
patent judge shall conduct an oral hearing, unless the
judge finds cause lacking for such hearing.”.

(f) Estoppel.—Section 315(e) of title 35, United
States Code, is amended by striking “or could have
raised”.

(g) Reexamination Prohibited After District
Court Decision.—Section 317(b) of title 35, United
States Code, is amended—

(1) in the subsection heading, by striking
“Final Decision” and inserting “District Court
Decision”; and

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

(h) Post-Grant Opposition Procedures.—

(1) In General.—Part III of title 35, United
States Code, is amended by adding at the end the
following new chapter:
CHAPTER 32—POST-GRANT REVIEW

PROCEDURES

§ 321. Petition for post-grant review

Subject to sections 322, 324, 332, and 333, a person who is not the patent owner may file with the Office a petition for cancellation seeking to institute a post-grant review proceeding to cancel as unpatentable any claim of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim). The Director shall establish, by regulation, fees to be paid by the person requesting the proceeding, in such amounts as the Director determines to be reasonable.

§ 322. Timing and bases of petition

A post-grant proceeding may be instituted under this chapter pursuant to a cancellation petition filed under section 321 only if—
“(1) the petition is filed not later than 12 months after the issuance of the patent or a reissue patent, as the case may be; or
“(2) the patent owner consents in writing to the proceeding.

§ 323. Requirements of petition

“A cancellation petition filed under section 321 may be considered only if—
“(1) the petition is accompanied by payment of the fee established by the Director under section 321;
“(2) the petition identifies the cancellation petitioner;
“(3) for each claim sought to be canceled, the petition sets forth in writing the basis for cancellation and provides the evidence in support thereof, including copies of patents and printed publications, or written testimony of a witness attested to under oath or declaration by the witness, or any other information that the Director may require by regulation; and
“(4) the petitioner provides copies of the petition, including any evidence submitted with the petition and any other information submitted under
paragraph (3), to the patent owner or, if applicable, the designated representative of the patent owner.

“§ 324. Prohibited filings

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

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

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

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

“(a) IN GENERAL.—The cancellation petitioner shall file such additional information with respect to the petition as the Director may require. For each petition submitted under section 321, the Director shall determine if the written statement, and any evidence submitted with the request, establish that a substantial question of patentability exists for at least one claim in the patent. The Director may initiate a post-grant review proceeding if the Director determines that the information presented provides sufficient grounds to believe that there is a substantial question of patentability concerning one or more claims of the patent at issue.
“(b) NOTIFICATION; DETERMINATIONS NOT REVIEWABLE.—The Director shall notify the patent owner and each petitioner in writing of the Director’s determination under subsection (a), including a determination to deny the petition. The Director shall make that determination in writing not later than 60 days after receiving the petition. Any determination made by the Director under subsection (a), including whether or not to institute a post-grant review proceeding or to deny the petition, shall not be reviewable.

§ 326. Conduct of post-grant review proceedings

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

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

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

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

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

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

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

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

“(3) shall provide for publication of notice in the Federal Register of the filing of a petition for post-grant review under this chapter, for publication of the petition, and documents, orders, and decisions relating to the petition, on the website of the Patent and Trademark Office, and for filings under seal exempt from publication requirements;

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

“(5) may provide for protective orders govern-
ing the exchange and submission of confidential
information; and

“(6) shall ensure that any information sub-
mitted by the patent owner in support of any
amendment entered under section 329 is made avail-
able to the public as part of the prosecution history
of the patent.

“(c) CONSIDERATIONS.—In prescribing regulations
under this section, the Director shall consider the effect
on the economy, the integrity of the patent system, and
the efficient administration of the Office.

“(d) CONDUCT OF PROCEEDING.—The Patent Trial
and Appeal Board shall, in accordance with section 6(b),
conduct each post-grant review proceeding authorized by
the Director.

“§ 327. Patent owner response

“After a post-grant proceeding under this chapter
has been instituted with respect to a patent, the patent
owner shall have the right to file, within a time period
set by the Director, a response to the cancellation petition.
The patent owner shall file with the response, through af-
fidavits or declarations, any additional factual evidence
and expert opinions on which the patent owner relies in support of the response.

“§ 328. Proof and evidentiary standards

“(a) In General.—The presumption of validity set forth in section 282 shall not apply in a challenge to any patent claim under this chapter.

“(b) Burden of Proof.—The party advancing a proposition under this chapter shall have the burden of proving that proposition by a preponderance of the evidence.

“§ 329. Amendment of the patent

“(a) In General.—In response to a challenge in a petition for cancellation, the patent owner may file one motion to amend the patent in one or more of the following ways:

“(1) Cancel any challenged patent claim.

“(2) For each challenged claim, propose a substitute claim.

“(3) Amend the patent drawings or otherwise amend the patent other than the claims.

“(b) Additional Motions.—Additional motions to amend may be permitted only for good cause shown.

“(c) Scope of Claims.—An amendment under this section may not enlarge the scope of the claims of the patent or introduce new matter.
§ 330. Decision of the Board

If the post-grant review proceeding is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision addressing the patentability of any patent claim challenged and any new claim added under section 329.

§ 331. Effect of decision

(a) In general.—If the Patent Trial and Appeal Board issues a final decision under section 330 and the time for appeal has expired or any appeal proceeding has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable and incorporating in the patent by operation of the certificate any new claim determined to be patentable.

(b) New claims.—Any new claim held to be patentable and incorporated into a patent in a post-grant review proceeding shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, offered to sell, or used within the United States, or imported into the United States, anything patented by such new claim, or who made substantial preparations therefor, before a certificate under subsection (a) of this section is issued.
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§ 332. Settlement

(a) IN GENERAL.—A post-grant review proceeding shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Patent Trial and Appeal Board has issued a written decision before the request for termination is filed. If the post-grant review proceeding is terminated with respect to a petitioner under this paragraph, no estoppel shall apply to that petitioner. If no petitioner remains in the proceeding, the panel of administrative patent judges assigned to the proceeding shall terminate the proceeding.

(b) AGREEMENT IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in the agreement or understanding, that is made in connection with or in contemplation of the termination of a post-grant review proceeding, must be in writing. A post-grant review proceeding as between the parties to the agreement or understanding may not be terminated until a copy of the agreement or understanding, including any such collateral agreements, has been filed in the Office. If any party filing such an agreement or understanding requests, the agreement or understanding shall be kept separate from the file of the post-grant review proceeding, and shall be made available only to Government agencies on written request.
§ 333. Relationship to other proceedings

(a) In General.—Notwithstanding subsection 135(a), sections 251 and 252, and chapter 30, the Director may determine the manner in which any reexamination proceeding, reissue proceeding, interference proceeding (commenced with respect to an application for patent filed before the effective date provided in section 3(k) of the Patent Reform Act of 2009), derivation proceeding, or post-grant review proceeding, that is pending during a post-grant review proceeding, may proceed, including providing for stay, transfer, consolidation, or termination of any such proceeding.

(b) STAYS.—The Director may stay a post-grant review proceeding if a pending civil action for infringement of a patent, or a pending proceeding before the United States International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), addresses the same or substantially the same questions of patentability raised against the patent in a petition for the post-grant review proceeding.

(c) Effect of Commencement of Proceeding.—The commencement of a post-grant review proceeding—

(1) shall not limit in any way the right of the patent owner to commence an action for infringement of the patent; and
“(2) shall not be cited as evidence relating to the validity of any claim of the patent in any proceeding before a court or the International Trade Commission concerning the patent.

§ 334. Effect of decisions rendered in civil action or ITC proceeding on post-grant review proceedings

“If a final decision is entered against a party in a civil action arising in whole or in part under section 1338 of title 28, or a determination made by the United States International Trade Commission against a party in a proceeding under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337) has become final, establishing that the party has not sustained its burden of proving the invalidity of any patent claim—

“(1) that party to the civil action or proceeding (as the case may be) and the privies of that party may not thereafter request a post-grant review proceeding on that patent claim on the basis of any grounds, under the provisions of section 321, which that party or the privies of that party raised or could have raised; and

“(2) the Director may not thereafter maintain a post-grant review proceeding that was requested, before the final decision was so entered or final de-
termination was so made (as the case may be), by that party or the privies of that party on the basis of such grounds.

§ 335. Effect of final decision on future proceedings

“If a final decision under section 330 is favorable to the patentability of any original or new claim of the patent challenged by the cancellation petitioner, the cancellation petitioner may not thereafter, based on any ground that the cancellation petitioner raised during the post-grant review proceeding—

“(1) request or pursue a reexamination of such claim under chapter 31;

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

“(3) request or pursue a post-grant review proceeding under this chapter with respect to such claim;

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

“(5) assert the invalidity of any such claim in defense to a proceeding brought under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337).
§ 336. Appeal

“A party dissatisfied with the final determination of the Patent Trial and Appeal Board in a post-grant proceeding under this chapter may appeal the determination under sections 141 through 144. Any party to the post-grant proceeding shall have the right to be a party to the appeal.”

(i) CONFORMING AMENDMENT.—The table of chapters for part III of title 35, United States Code, is amended by adding at the end the following:

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

(j) REPEAL.—Section 4607 of the Intellectual Property and Communications Omnibus Reform Act of 1999, as enacted by section 1000(a)(9) of Public Law 106–113, is repealed.

(k) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments and repeal made by this section shall take effect at the end of the 1-year period beginning on the date of the enactment of this Act.

(2) APPLICABILITY TO EX PARTE AND INTER PARTES PROCEEDINGS.—Notwithstanding any other provision of law, sections 301 and 311 through 318 of title 35, United States Code, as amended by this section, shall apply to any patent that issues before,
on, or after the effective date under paragraph (1) from an original application filed on any date.

(3) **Applicability to Post-Grant Proceedings.**—The amendments made by subsections (h) and (i) shall apply to patents issued on or after the effective date under paragraph (1).

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

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

(a) **Definitions.**—Section 100 of title 35, United States Code, (as amended by section 3 of this Act) is further amended—

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

(2) by adding at the end the following:

“(k) The term ‘cancellation petitioner’ means the real party in interest requesting cancellation of any claim of a patent under chapter 31 of this title and the privies of the real party in interest.”.
(b) Patent Trial and Appeal Board.—Section 6 of title 35, United States Code, is amended to read as follows:

“§ 6. Patent Trial and Appeal Board

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

“(b) Duties.—The Patent Trial and Appeal Board shall—

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

“(2) on written appeal of a patent owner, review adverse decisions of examiners upon patents in reexamination proceedings under chapter 30;
“(3) conduct derivation proceedings under subsection 135(a); and
“(4) conduct post-grant opposition proceedings under chapter 32.

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

SEC. 8. STUDY AND REPORT ON REEXAMINATION PROCEEDINGS.

The Director shall, not later than 2 years after the date of the enactment of this Act—

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

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

SEC. 9. PREISSUANCE SUBMISSIONS BY THIRD PARTIES.

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

“(e) PREISSUANCE SUBMISSIONS BY THIRD PARTIES.—

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

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

“(B) either—

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

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

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

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

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

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

“(D) identify the real party-in-interest making the submission.”.

SEC. 10. VENUE AND JURISDICTION.

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

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

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

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

“(2) where the defendant has committed substantial acts of infringement and has a regular and established physical facility that the defendant controls and that constitutes a substantial portion of the operations of the defendant;

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

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

“(B) a nonprofit organization that—

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

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

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

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

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

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

“(3) venue would be otherwise appropriate under section 1391 of this title.”.

(b) INTERLOCUTORY APPEALS.—Subsection (c) of section 1292 of title 28, United States Code, is amended—
(1) by striking “and” at the end of paragraph (1);

(2) by striking the period at the end of paragraph (2) and inserting “; and”; and

(3) by adding at the end the following:

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

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

(e) 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 Dis-
trict of Columbia’’ each place that term appears and in-
serting ‘‘United States District Court for the Eastern Dis-

SEC. 11. PATENT AND TRADEMARK OFFICE REGULATORY

AUTHORITY.

(a) Fee Setting.—

(1) In general.—The Director shall have au-

(b) 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 re-
ducing any fees described in paragraph (1); and

(B) after that consultation may reduce

such fees.
(3) ROLE OF THE PUBLIC ADVISORY COMMITTEE.—The Director shall—

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

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

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

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

(C) require the relevant advisory committee to make available to the public a written report detailing the comments, advice, and rec-
ommendations 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 Committee on the Judiciary of
the House of Representatives and the Com-
mittee on the Judiciary of the Senate, the Con-
gress of any final decision regarding proposed
fees.

(4) PUBLICATION IN THE FEDERAL REG-
ISTER.—

(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 Reg-
ister; and

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

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

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

(6) Rule of construction.—No rules pre-
scribed under this subsection may diminish—

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

(B) any rights under a ratified treaty.

(b) Fees for patent services.—Division B of
Public Law 108–447 is amended in title VIII of the De-
partments of Commerce, Justice and State, the Judiciary,
and Related Agencies Appropriations Act, 2005, in section
801(a) by striking “During fiscal years 2005, 2006 and
2007”, and inserting “Until such time as the Director sets
or adjusts the fees otherwise,”.
(c) **Adjustment of Trademark Fees.**—Division B of Public Law 108–447 is amended in title VIII of the Departments of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act, 2005, in section 802(a) by striking “During fiscal years 2005, 2006 and 2007”, and inserting “Until such time as the Director sets or adjusts the fees otherwise.”.

(d) **Effective Date, Applicability, and Transitional Provision.**—Division B of Public Law 108–447 is amended in title VIII of the Departments of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act, 2005, in section 803(a) by striking “and shall apply only with respect to the remaining portion of fiscal year 2005, 2006 and 2007.”.

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

(f) **Definitions.**—In this section:

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

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

SEC. 12. RESIDENCY OF FEDERAL CIRCUIT JUDGES.

Section 44(c) of title 28, United States Code, is amended by striking the second sentence.

SEC. 13. 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 under either subsections (b) or (c).

“(b) Unassigned Application.—For an unassigned application, each applicant shall certify that the applicant—

“(1) qualifies as a small entity, as defined in regulations issued by the Director;
“(2) has not been named on 5 or more previously filed patent applications;

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

“(4) does not have a gross income, as defined in section 61(a) of the Internal Revenue Code, exceeding 2.5 times the median household income, as reported by the Bureau of the Census, in the calendar year immediately preceding the calendar year in which the examination fee is being paid.

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

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

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

“(3) has assigned, granted, conveyed, or is under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the particular application to an entity that has 5 or fewer employees and that such entity has a gross income, as defined in section 61(a) of the In-
ternal Revenue Code, that does not exceed 2.5 times
the median household income, as reported by the
Bureau of the Census, in the calendar year imme-
diately preceding the calendar year in which the ex-
amination fee is being paid.

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

SEC. 14. 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 INVEN-
TIONS.—When”;

(2) in the second paragraph, by striking
“If a joint inventor” and inserting “(b) OMIT-
TED INVENTOR.—If a joint inventor”; and

(3) in the third paragraph, by striking
“Whenever” and inserting “(c) CORRECTION OF
ERRORS IN APPLICATION.—Whenever”.

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

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

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

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

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

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

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

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

(4) in the last paragraph, by striking “No re-issued patent” and inserting “(d) **REISSUE PATENT**
(d) Effect of Reissue.—Section 253 of title 35, United States Code, is amended—

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

(2) in the second paragraph, by striking “in like manner” and inserting “(b) Additional Disclaimer or Dedication.—In the manner set forth in subsection (a),”.

(e) Correction of Named Inventor.—Section 256 of title 35, United States Code, is amended—

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

(2) in the second paragraph, by striking “The error” and inserting “(b) Patent Valid if Error Corrected.—The error”.

(f) Presumption of Validity.—Section 282 of title 35, United States Code, is amended—

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

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

SEC. 15. EFFECTIVE DATE; RULE OF CONSTRUCTION.

(a) EFFECTIVE DATE.—Except as otherwise provided in this Act, this Act and the amendments made by this Act shall take effect upon the expiration of the 12 month period beginning on the date of the enactment of this Act and shall apply to any patent issued on or after that effective date.

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

SEC. 16. STUDY OF SPECIAL MASTERS IN PATENT CASES.

(a) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act, the Director of the Administrative Office of the United States Courts shall conduct a study of, and submit to the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate a report on, the use of special masters in patent litigation who are appointed in accordance with Rule 53 of the Federal Rules of Civil Procedure.

(b) OBJECTIVE.—In conducting the study under subsection (a), the Director of the Administrative Office of the United States Courts shall consider whether the use of special masters has been beneficial in patent litigation and what, if any, program should be undertaken to facilitate the use by the judiciary of special masters in patent litigation.

(c) FACTORS TO CONSIDER.—In conducting the study under subsection (a), the Director, in consultation with the Federal Judicial Center, shall consider—
(1) the basis upon which courts appoint special
masters under Rule 53(b) of the Federal Rules of
Civil Procedure;
(2) the frequency with which special masters
have been used by the courts;
(3) the role and powers special masters are
given by the courts;
(4) the subject matter at issue in cases that use
special masters;
(5) the impact on court time and costs in cases
where a special master is used as compared to cases
where no special master is used;
(6) the legal and technical training and experi-
ence of special masters;
(7) whether the use of special masters has an
impact on the reversal rate of district court decisions
at the Court of Appeals for the Federal Circuit; and
(8) any other factors that the Director believes
would assist in gauging the effectiveness of special
masters in patent litigation.

SEC. 17. STUDY ON WORKPLACE CONDITIONS.

The Comptroller General shall, not later than 2 years
after the date of the enactment of this Act—
(1) conduct a study of workplace conditions for
the examiner corps of the United States Patent and
Trademark Office, including the effect, if any, of this Act and the amendments made by this Act on—

(A) recruitment, retention, and promotion of employees; and

(B) workload, quality assurance, and employee grievances; and

(2) submit to the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate a report on the results of the study, including any suggestions for improving workplace conditions, together with any other recommendations that the Comptroller General has with respect to patent reexamination proceedings.

SEC. 18. STUDY ON PATENT DAMAGES.

(a) In general.—The Director shall conduct a study of patent damage awards in cases where such awards have been based on a reasonable royalty under section 284 of title 35, United States Code. The study should, at a minimum, consider cases from 1990 to the present.

(b) Conduct.—In conducting the study under subsection (a), the Director shall investigate, at a minimum, the following:

(1) Whether the mean or median dollar amount of reasonable-royalty-based patent damages awarded
by courts or juries, as the case may be, has significantly increased on a per case basis during the period covered by the study, taking into consideration adjustments for inflation and other relevant economic factors.

(2) Whether there has been a pattern of excessive and inequitable reasonable-royalty-based damages during the period covered by the study and, if so, any contributing factors, including, for example, evidence that Federal courts have routinely and inappropriately broadened the scope of the “entire market value rule”, or that juries have routinely misapplied the entire market value rule to the facts at issue.

(3) To the extent that a pattern of excessive and inequitable damage awards exists, measures that could guard against such inappropriate awards without unduly prejudicing the rights and remedies of patent holders or significantly increasing litigation costs, including legislative reforms or improved model jury instructions.

(4) To the extent that a pattern of excessive and inequitable damage awards exists, whether legislative proposals that would mandate, or create a presumption in favor of, apportionment of reasonable-
royalty-based patent damages would effectively
guard against such inappropriate awards without
unduly prejudicing the rights and remedies of patent
holders or significantly increasing litigation costs.

(c) Report.—Not later than 1 year after the date
of the enactment of this Act, the Director shall submit
to the Congress a report on the study conducted under
this section.

SEC. 19. SEVERABILITY.

If any provision of this Act or of any amendment or
repeals made by this Act, or the application of such a pro-
vision to any person or circumstance, is held to be invalid
or unenforceable, the remainder of this Act and the
amendments and repeals made by this Act, and the appli-
cation of this Act and such amendments and repeals to
any other person or circumstance, shall not be affected
by such holding.