

Terry	Walden	Wolf
Thompson (PA)	Walsh (IL)	Womack
Thornberry	Webster	Woodall
Tiberi	West	Yoder
Tipton	Westmoreland	Young (FL)
Turner	Whitfield	Young (IN)
Upton	Wilson (SC)	
Walberg	Wittman	

NOES—166

Ackerman	Hastings (FL)	Payne
Andrews	Heinrich	Peters
Baldwin	Higgins	Pingree (ME)
Bass (CA)	Himes	Polis
Becerra	Hinche	Price (NC)
Berkley	Hirono	Quigley
Berman	Hochul	Rahall
Bishop (NY)	Holt	Rangel
Blumenauer	Honda	Reyes
Brady (PA)	Hoyer	Richardson
Braley (IA)	Inslee	Richmond
Brown (FL)	Israel	Rothman (NJ)
Butterfield	Jackson (IL)	Roybal-Allard
Capps	Johnson, E. B.	Ruppersberger
Capuano	Jones	Rush
Carnahan	Kaptur	Ryan (OH)
Carney	Keating	Sánchez, Linda
Castor (FL)	Kildee	T.
Chu	Kind	Sanchez, Loretta
Cicilline	Kissell	Sarbanes
Clarke (MI)	Kucinich	Schakowsky
Clarke (NY)	Langevin	Schiff
Clay	Larsen (WA)	Schrader
Cleaver	Larson (CT)	Schwartz
Clyburn	Lee (CA)	Scott (VA)
Cohen	Levin	Scott, David
Connolly (VA)	Lewis (GA)	Serrano
Conyers	Lipinski	Sewell
Cooper	Loeb	Sherman
Costello	Lofgren, Zoe	Shuler
Courtney	Lowe	Sires
Crowley	Lujan	Slaughter
Cummings	Lynch	Smith (WA)
Davis (CA)	Maloney	Speier
Davis (IL)	Markey	Stark
DeFazio	Matsui	Sutton
DeGette	McCarthy (NY)	Thompson (CA)
DeLauro	McCormack	Thompson (MS)
Deuth	McDermott	Tierney
Dingell	McGovern	Tonko
Doggett	McIntyre	Towns
Doyle	McNerney	Tsongas
Duncan (TN)	Meeke	Van Hollen
Edwards	Michaud	Velázquez
Ellison	Miller (NC)	Visclosky
Engel	Miller, George	Walz (MN)
Eshoo	Moran	Wasserman
Farr	Murphy (CT)	Schultz
Fattah	Nadler	Waters
Filner	Napolitano	Watt
Frank (MA)	Neal	Waxman
Fudge	Olver	Welch
Garamendi	Owens	Wilson (FL)
Grijalva	Pallone	Woolsey
Gutierrez	Pascrell	Wu
Hanabusa	Pastor (AZ)	Yarmuth

NOT VOTING—12

Carson (IN)	Gingrey (GA)	Murphy (PA)
Cole	Granger	Pelosi
Dicks	Lummis	Stivers
Giffords	Moore	Young (AK)

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (during the vote). There are 2 minutes remaining.

□ 1930

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Stated against:

Mr. LANDRY. Mr. Speaker, on rollcall No. 477 I was unavoidably detained. Had I been present, I would have voted “no.”

RESIGNATION AS MEMBER OF COMMITTEE ON ARMED SERVICES

The SPEAKER pro tempore (Mr. BROUN of Georgia) laid before the

House the following resignation as a member of the Committee on Armed Services:

HOUSE OF REPRESENTATIVES,
CONGRESS OF THE UNITED STATES,
Washington, DC, June 22, 2011.

Hon. JOHN BOEHNER,
Speaker of the House, The Capitol, Washington, DC.

DEAR SPEAKER BOEHNER, I am writing to notify you of my resignation from the Armed Services Committee, effective June 22, 2011. I look forward to continuing to serve the Tampa Bay area and the State of Florida from the Energy and Commerce and Budget Committees in the 112th Congress.

Sincerely,

KATHY CASTOR,
United States Representative,
Florida District 11.

The SPEAKER pro tempore. Without objection, the resignation is accepted. There was no objection.

ELECTING A MEMBER TO A CERTAIN STANDING COMMITTEE OF THE HOUSE OF REPRESENTATIVES

Mr. LARSON of Connecticut. Mr. Speaker, by direction of the Democratic Caucus, I offer a privileged resolution and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 321

Resolved, That the following named Member be and is hereby elected to the following standing committee of the House of Representatives:

COMMITTEE ON ENERGY AND COMMERCE.—Ms. Castor of Florida.

Mr. LARSON of Connecticut (during the reading). Mr. Speaker, I ask unanimous consent that the resolution be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

The resolution was agreed to.

A motion to reconsider was laid on the table.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 2219, DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2012

Mr. NUGENT, from the Committee on Rules, submitted a privileged report (Rept. No. 112-113) on the resolution (H. Res. 320) providing for consideration of the bill (H.R. 2219) making appropriations for the Department of Defense for the fiscal year ending September 30, 2012, and for other purposes, which was referred to the House Calendar and ordered to be printed.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 1380

Mr. PITTS. Mr. Speaker, I ask unanimous consent that my name be withdrawn as a cosponsor of H.R. 1380, the New Alternative Transportation to Give Americans Solutions Act of 2011.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

GENERAL LEAVE

Mr. SMITH of Texas. Mr. Speaker, I ask unanimous consent that all Members have 5 legislative days to revise and extend their remarks and include extraneous materials on H.R. 1249.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

AMERICA INVENTS ACT

The SPEAKER pro tempore. Pursuant to House Resolution 316 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 1249.

□ 1933

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1249) to amend title 35, United States Code, to provide for patent reform, with Mr. GRAVES of Georgia in the chair.

The Clerk read the title of the bill.

The CHAIR. Pursuant to the rule, the bill is considered read the first time.

An initial period of general debate shall be confined to the question of the constitutionality of the bill and shall not exceed 20 minutes equally divided and controlled by the gentleman from Texas (Mr. SMITH) and the gentleman from Ohio (Ms. KAPTUR) or their designees.

The Chair recognizes the gentleman from Texas.

Mr. SMITH of Texas. I yield myself such time as I may consume.

Mr. Chairman, individuals who raise questions about the constitutionality of this legislation perhaps should review the Constitution itself. The Constitution expressly grants Congress the authority to “promote the progress of science and useful arts.” That is precisely what this bill does. H.R. 1249 improves the patent system, ensuring the protection and promotion of intellectual property that spurs economic growth and generates jobs.

The bill’s inclusion of a move to a first-inventor-to-file system is absolutely consistent with the Constitution’s requirement that patents be awarded to the “inventor.”

A recent letter by professors of law from across the country—from universities including Emory, Indiana, Washington University in St. Louis, Missouri, NYU, New Hampshire, Wisconsin, Albany, Stanford, Chicago, Georgia, Richmond, Vanderbilt, and Washington—states that claims of unconstitutionality “cannot be squared with well-accepted and longstanding rules of current patent law.” And

former Attorney General Michael B. Mukasey has said that the provision is both “constitutional and wise.”

In a letter to PTO Director David Kappos, General Mukasey stated that the bill’s constitutionality is assured because it “leaves unchanged the existing requirement that a patent issue only to one who ‘invents or discovers.’”

Also, this provision actually returns us to a system that our Founders created and used themselves. Early American patent law, that of our Founders’ generation, did not concern itself with who was the first-to-invent. The U.S. operated under a first-inventor-to-register, which is a system very similar to the first-inventor-to-file.

It wasn’t until the 1870s, when the courts created interference proceedings, that our patent system began to consider who was the first-to-invent an invention. These interference proceedings disadvantaged independent inventors and small businesses. Over time, interference proceedings have become a costly litigation tactic that has forced some manufacturers to take the path of least resistance and move operations and jobs overseas rather than risk millions or billions of dollars in capital investment. The America Invents Act does away with interference proceedings and includes a provision to address prior user rights without jeopardizing American businesses and jobs.

Opponents of the first-inventor-to-file system claim that it may disadvantage independent inventors who cannot file quickly enough. But the current system lulls inventors into a false sense of security based on the belief that they can readily and easily rely on being the first-to-invent. Inventors forget that, to have any hope of winning an interference proceeding, they must comply with complex legal procedures and then spend over \$500,000 to try to prove that they were the first-to-invent.

In the last 7 years, under the current system of interference proceedings, only one independent inventor out of 3 million patent applications has proved an earlier date of invention over the inventor who filed first, one out of 3 million. In fact, the current patent system’s costly and complex legal environment is what truly disadvantages independent inventors, who often lose their patent rights because they can’t afford the legal battle over ownership.

The America Invents Act reduces frivolous litigation over weak or overbroad patents by establishing a pilot program to review a limited group of business method patents that never should have been awarded in the first place. Section 18 deals with mistakes that occurred following an activist judicial decision that created a new class of patents called business method patents in the late 1990s. The PTO was ill equipped to handle the flood of business method patent applications.

Few examiners had the necessary background and education to under-

stand the inventions, and the PTO lacked information regarding prior art. As a result, the PTO issued some weak patents that have led to frivolous lawsuits. The pilot program allows the PTO to reexamine a limited group of questionable business method patents, and it is supported by the PTO.

Former 10th Circuit Federal Appeals Court Judge Michael McConnell sent me a constitutional analysis of the bill’s reexamination proceedings. He stated that “there is nothing novel or unprecedented, much less unconstitutional, about the procedures proposed in sections 6 and 18. The application of these new reexamination procedures to existing patents is not a taking or otherwise a violation of the Constitution.”

Supporters of this bill understand that if America’s inventors are forced to waste time with frivolous litigation, they won’t have time for innovation. That’s why the U.S. Chamber of Commerce, National Association of Manufacturers, PhRMA, BIO, the Information Technology Industry Council, American Bar Association, Small Business & Entrepreneurship Council, Independent Community Bankers of America, Credit Union National Association, Financial Services Roundtable, American Insurance Association, Property Casualty Insurers Association of America, the Securities Industry and Financial Markets Association, the American Institute of CPAs, industry leaders, the Coalition for 21st Century Patent Reform, the Coalition for Patent Fairness, independent inventors, and all six major university associations all support H.R. 1249.

To quote the Chamber of Commerce: “This legislation is crucial for American economic growth, jobs, and the future of U.S. competitiveness.”

We can no longer allow our economy and job creators to be held hostage to legal maneuvers and the judicial lottery.

□ 1940

American inventors have led the world for centuries in new innovations, from Benjamin Franklin and Thomas Edison to the Wright Brothers and Henry Ford. But if we want to continue as leaders in the global economy, we must encourage the innovators of today to develop the technologies of tomorrow.

This bill holds true to the Constitution, our Founders and our promise to future generations that America will continue to lead the world as a fountain for discovery, innovation and economic growth.

Mr. Chairman, I reserve the balance of my time.

Ms. KAPTUR. I yield myself such time as I may consume.

Mr. Chairman, if this bill is passed into law, it will violate the first right explicitly named in our Constitution, the intellectual property clause. This bill makes a total mockery of article 1, section 8, clause 8, which requires Congress to secure for inventors the exclu-

sive right to their respective writings and discovery.

Supporters of this bill say it is an attempt to modernize our patent system. What they really mean is that this bill Europeanizes our patent system by granting the rights to an invention to whoever wins the race to the Patent Office.

The Supreme Court has been consistent on this issue throughout our history. First inventors have the exclusive constitutional right to their inventions. This right extends to every citizen, not just those with deep pockets and large legal teams. A politicized patent system will further entrench those very powerful interests with deep pockets and lots of lobbying offices over on K Street.

Claiming to be an inventor is not the same thing as being that inventor, the person who actually made the discovery. A patent should be challenged in court, not in the U.S. Patent Office.

Since the first Congress, which included 55 delegates to the Constitutional Convention, our nation has recognized that you are the owner of your own ideas and innovations. This bill throws that out the window and replaces it with a system that legalizes a rather clever form of intellectual property theft.

I assure you of one thing: If this bill mistakenly passes, this debate will not be over. We will see it head straight to the courts with extended litigation for years to come, along with complete uncertainty to our markets, killing jobs and killing innovation.

I urge my colleagues to vote “no” on H.R. 1249.

I yield 3 minutes to the former chairman of the Judiciary Committee, our esteemed colleague from Wisconsin (Mr. SENSENBRENNER).

Mr. SENSENBRENNER. Mr. Chairman, in the first day of this session we all took an oath to preserve and protect and defend the Constitution of the United States against all enemies, foreign and domestic. And a day or two later, for the first time in history, we read the Constitution on the floor from beginning to end.

We changed the rules to have a constitutional debate when the constitutionality of legislation before us was in question. And this is the first time in the history of the United States House of Representatives when a question serious enough to have a constitutional debate is being debated on the floor for 20 minutes.

Unlike what my friend from Texas (Mr. SMITH) has said, this bill is unconstitutional, and voting for this bill will violate one’s oath of office. And here is why.

The intellectual property clause of the Constitution gives the protection to the first-to-invent, and what happens later in the Patent Office only protects that right. It doesn’t denigrate the right, and the right is given to the person who is first-to-invent. If someone who was the first-to-invent

ends up losing the race to the Patent Office, this bill takes away a property right, and that violates the Fifth Amendment.

Now, inventor means first inventor in the Constitution. And earlier this month, in *Stanford University v. Roche*, the Chief Justice has said, since 1790 the patent law has operated on the premise that in an invention, the rights belong to the inventor. And since the founding of our Republic, that has been the law.

Even in the beginning of our Republic, the 1793 act created an interference provision and set up an administrative procedure to resolve competing claims for the same invention. The Patent Board rejected the proposal that the patent should be awarded to the first person to file an application. And Thomas Jefferson served on that Patent Board that rejected first-to-file.

Secondly, early Supreme Court decisions confirm that patents must be granted to inventors, not when they file, but when they invent it. And that began in 1813 with Chief Justice Marshall, reaffirmed in 1829, and last month in *Stanford v. Roche* in the Supreme Court of the United States.

I think it is clear from all of the precedents that a first-to-invent and a first-to-file provision is unconstitutional because it adds a layer of compliance in winning the race to the Patent Office for someone who already has that right.

Let's vote "no" to uphold our oaths of office under the Constitution of the United States.

Mr. SMITH of Texas. Mr. Chairman, I reserve the balance of my time.

Ms. KAPTUR. I yield 1 minute to the gentleman from Nebraska (Mr. TERRY).

Mr. TERRY. Mr. Chairman, since the founding of the Republic, our patent system has been based on the premise that an inventor is entitled to a patent for their work, and not simply the first person to file a patent application. Indeed, article 1, section 8, clause 8 of the Constitution specifically states that to promote the progress of science and useful arts, Congress shall have the power to secure to authors and inventors the exclusive right to their respective writings and discoveries. Nowhere does it say filers have that right. Under no rule of construction or interpretation can this clause mean anything other than what it says.

And Mr. Chairman, I find it comforting to know that certainly I'm not alone in my concern over the constitutionality over first-to-file. None other than Chief Justice of the United States Supreme Court John Roberts recently wrote in an opinion, joined by six of his fellow Supreme Court justices that, "Since 1790, the patent law has operated on the premise that rights in an invention belong to the inventor."

Mr. SMITH of Texas. It is nice to be able to yield 1 minute to the gentleman from New York (Mr. NADLER), who is the ranking member of the Constitution Subcommittee of the Judiciary Committee.

Mr. NADLER. Mr. Chairman, some have argued that the first-to-file provision in this bill violates the constitutional provision giving Congress the power to promote the progress of science and useful arts by securing for limited times for authors and inventors the exclusive rights to their respective writings and discoveries.

The first key point to note is that the text does not define inventor. Under H.R. 1249, one still has to be an inventor to be awarded the patent, as the Constitution requires. Indeed, former Bush administration Attorney General Michael Mukasey noted in a May 2011 letter to Patent Office Director David Kappos that "the second inventor is no less an inventor for having invented second." And former Attorney General Mukasey correctly points out that the Constitution grants Congress the power to "promote the progress of the science and useful arts" but does not say how it can or should do so. Congress deciding that awarding patents to inventors who are the first-to-file is consistent with that constitutional power.

The Patent Act of 1793 makes no mention of needing to be the first-to-invent. A patent was valid as long as the invention was not an invention already in the public domain or derived from another person. It was not until 1870 that there was a specific process put in place to even determine who the first-to-invent was.

The bottom line is that this bill is a clear exercise of Congress' constitutional power to secure patent rights to inventors.

□ 1950

Ms. KAPTUR. Mr. Chairman, may I inquire as to my remaining time, please.

The CHAIR. The gentlewoman from Ohio has 4 minutes remaining.

Ms. KAPTUR. I yield 1 minute to the gentleman from New Jersey (Mr. GARRETT).

Mr. GARRETT. Mr. Chairman, as founder and chairman of the Constitution Caucus, I applaud the opportunity to debate the constitutionality of this bill. This is the first of what I hope will be many more instances to discuss the constitutionality of legislation considered on this floor.

What this bill does is change the U.S. patent system from one which allows the moment of invention to determine who is entitled to a patent to one which confers this power to a government agency. Such a change would violate the intellectual property clause of the Constitution. Why is that? Because the Founders rejected the idea that rights are bestowed to the people by the government in favor of the revolutionary principle that men are born with natural rights.

Our Constitution instituted a government that secures only these natural and preexisting rights. So inventions created by the fruits of intellectual labor are the property of the inventor.

These and only these first and true inventors then are entitled to public protection of their rightful property. To remain true to the principles of liberty, we must preserve a system that protects the true and first inventor.

Mr. SMITH of Texas. Mr. Chairman, may I inquire as to how much time remains on each side.

The CHAIR. The gentleman from Texas has 2½ minutes remaining, and the gentlewoman from Ohio has 3 minutes remaining.

Mr. SMITH of Texas. I yield 2 minutes to the gentleman from Virginia (Mr. GOODLATTE), who is the chairman of the Intellectual Property Subcommittee of the Judiciary Committee.

Mr. GOODLATTE. I also very much appreciate this debate on the constitutionality of this issue. I had the honor of leading the reading of the Constitution on the second day of this new Congress.

I want to make it very clear because there's a lot of confusion on the part of a lot of people who think this is a first-to-file—even if you're not the inventor—gets the patent. That is most assuredly not the case. This is first-inventor-to-file. You must be a bona fide inventor to qualify for this.

Our Constitution grants exclusive rights to inventors. Now, in point of fact, when our Constitution was first adopted and our Patent Office was established, there was no interference provision, and it was 80 years later before that took place. In fact, in at least one case patents were granted to more than one inventor. So the issue here I think is not at all well-founded.

This is clearly constitutional. We have submitted and we will make part of the RECORD writings by 20 constitutional law professors—Attorney General Mukasey who has noted this as well. The Constitution grants Congress the authority to award inventors the exclusive rights to their inventions; however, the Constitution leaves to Congress how to settle disputes between two individuals who claim to have invented a certain idea.

Article I, section 8, of the Constitution declares that patent rights are to be granted in order to "promote the progress of science and useful arts." A first-inventor-to-file system ensures this by awarding patent protections to the first actual inventor to disclose and make productive use of its patent.

Our Nation has adopted different standards for settling these issues in the past. Currently, we have a first-to-invent standard. The reality is that a first-to-invent standard subjects small businesses and individual inventors who have filed for patent protection to surprise and costly litigation in what are called interference actions to determine who invented the idea first. This is a better idea, and this is a constitutional idea.

We can make this process much easier by awarding a patent to the first inventor to make

use of his invention by seeking patent protection. This will reward the inventor who is making productive use of his patent and will discourage individuals from sitting idly on their ideas.

Let us make clear—switching to First-Inventor-to-File does not allow a subsequent party to steal an invention. It requires that a subsequent inventor had to have come up with the idea independently and separately.

Switching to a First-Inventor-to-File system fits squarely within the plain meaning of the Constitution and will reward inventors who are working to launch our nation into the next level of innovation and job creation.

Ms. KAPTUR. I yield 1 minute to my distinguished colleague and cosponsor in opposition to this bill, the gentleman from California (Mr. ROHRABACHER).

Mr. ROHRABACHER. Mr. Chairman, our Constitution was designed and written to protect inventors, not filers. The words are very clear. “Inventor” is in the Constitution, “filers” is not in the Constitution. So why are we having this dispute about the constitutionality of this provision which is very clearly in the Constitution?

Are there all sorts of problems that we have people fighting as to who really invented something? No, we don’t have a lot of problems. The reason why we have to change this is to harmonize our law, American patent law, with Europe. There are opponents that stated this over and over again in the early part of this debate, that the purpose was harmonizing American law with the rest of the world. Well, American law has always been stronger; we’ve had the strongest patent protection in the world. So what does harmonize mean? It means weakening our constitutionally protected patent rights.

The purpose of the bill is to weaken a constitutionally protected right that has been in place since the founding of our country. It should be rejected.

Ms. KAPTUR. I would like to inquire as to the remaining time on both sides, please.

The CHAIR. The gentlewoman from Ohio has 2 minutes remaining; the gentleman from Texas has 30 seconds remaining.

Ms. KAPTUR. Mr. Chairman, this bill is unconstitutional. It will stifle American job creation, cripple American innovation. It throws out over 220 years of patent protections for individual inventors and violates the CutGo rules, increasing our deficit by over \$1 billion by 2021.

The proponents claim that the bill is constitutional because it contains the word “inventor” and leaves in place the existing statutory language awarding patents to those who invent or discover. But adding a word to the title of a bill cannot paper over its constitutional flaws. The bill denies a patent to the actual inventor simply because he or she files second, and therefore it is unconstitutional.

Earlier this month, in a decision issued on June 6, the Supreme Court reaffirmed that since 1790, the patent

law has operated on the premise that the rights in an invention belong to the inventor. Chief Justice John Marshall explained in 1813 that the Constitution and law, taken together, give to the inventor from the moment of invention an inchoate property therein which is completed by suing out a patent. And in 1829, the Supreme Court held that under the Constitution the right is created by the invention and not by the patent. And a New York district judge stated in 1826 that it is very true that the right to a patent belongs to him who is the first inventor.

If this very flawed bill passes, I guarantee you it is going to be tied up in litigation for years to come. With the job situation being what it is, with our need for innovation in this economy, the last thing we should do is try to undermine a system that works. More patents are filed in this country than anyplace else in the world. It is dependable. And it is the first right, even before the Bill of Rights, contained in our Constitution.

We should stand for what is in the Constitution and not try to undermine it for any interest that comes before the Members of this Congress.

Mr. Chairman, I yield back the balance of my time and I ask my colleagues to vote against this bill. Support our own Constitution and the very successful record we’ve had of American innovation.

Mr. SMITH of Texas. I yield myself the balance of my time.

Mr. Chairman, I know my colleagues know a lot about this subject, but I don’t think they know more than the Founders themselves. The Founders, including those who wrote the Constitution, operated under a first-to-register patent system starting in 1790. This is a very similar system to the first-inventor-to-file provision in the bill. So if the Founders liked the concept and thought it was constitutional, so should Members of Congress.

Mr. Chairman, I yield back the balance of my time.

The CHAIR. All time for debate on the question of the constitutionality of the bill has expired.

A subsequent period of general debate shall be confined to the bill and shall not exceed 1 hour equally divided and controlled by the chair and ranking minority member of the Committee on the Judiciary.

The gentleman from Texas (Mr. SMITH) and the gentlewoman from California (Ms. ZOE LOFGREN) each will control 30 minutes.

The Chair recognizes the gentleman from Texas.

Mr. SMITH of Texas. I yield myself such time as I may consume.

Mr. Chairman, the foresight of the Founders in creating an intellectual property system in the Constitution demonstrates their understanding of how patent rights benefit the American people. Technological innovation from our intellectual property is linked to three-quarters of America’s economic

growth, and American IP industries account for over one-half of all of our exports. These industries also provide millions of Americans with well-paying jobs.

□ 2000

Our patent laws, which provide a time-limited monopoly to inventors in exchange for their creative talent, helped create this prosperity.

The last major patent reform was nearly 60 years ago. During this time we have seen tremendous technological advancements, going from computers the size of a closet to the use of wireless technology in the palm of your hand. But we cannot protect the technologies of today with the tools of the past.

The current patent system is outdated and dragged down by frivolous lawsuits and uncertainty regarding patent ownership. Unwarranted lawsuits that typically cost \$5 million to defend prevent legitimate inventors and industrious companies from creating products and generating jobs. And while America’s innovators are forced to spend time and resources defending their patents, our competitors are busy developing new products that expand their businesses and their economies.

According to a recent media report, China is expected to surpass the United States for the first time this year as the world’s leading patent publisher. The more time we waste on frivolous litigation, the less time we have for innovation.

Another problem with the patent system is the lack of resources available to the PTO. The average wait time for a patent approval is 3 years or more. These are products and innovations that will create jobs and save lives. Inadequately funding the PTO harms inventors and small businesses.

The bill allows the Director to adjust the fee schedule with appropriate congressional oversight and prevents Congress from spending agency funds on unrelated programs. This will enable the PTO to become more efficient and productive, reducing the wait time for patent approval. Patent quality will improve on the front end, which will reduce litigation on the back end.

The patent system envisioned by our Founders focused on granting a patent to the first inventor who registered their invention. This is similar to the first-inventor-to-file provision in H.R. 1249. This improvement makes our system similar to the international standard that other countries use, only it is better. We retain both a 1-year grace period that protects universities and small inventors before they file, as well as the CREATE Act, which ensures collaborative research does not constitute prior art that defeats patentability.

There are some who think this bill hurts small businesses and independent inventors, but they are wrong. It ensures that independent inventors are able to compete with larger companies,

both here and abroad. American inventors seeking protection here in the United States will have taken the first step toward protecting their patent rights around the world.

The bill also makes the small business ombudsman at the PTO permanent. That means that small businesses will always have a champion at the PTO looking out for their interests and helping them as they secure patents for their inventions. This bill protects small businesses and independent inventors by reducing fees for both.

This bill represents a fair compromise and creates a better patent system than exists today for inventors and innovative industries.

Patents are important to the United States and the world. For example, during the War of 1812, American troops burned the Canadian town of York, known today as Toronto. In retaliation, the British marched on Washington in the summer of 1814 to put the capital city to the torch.

Dr. William Thornton, the Superintendent of the Patent Office, delivered an impassioned speech to the British officer commanding 150 Redcoats who were tasked to burn Blodgett's Hotel, where the Patent Office was located. Thornton argued that the patent models stored in the building were valuable to all mankind and could never be replaced. He declared that anyone who destroyed them would be condemned by future generations, as were the Turks who burned the library in Alexandria. The British officer relented and Blodgett's Hotel was spared, making it the only major public building in Washington not burned that day.

American inventors have led the world in innovation and new technologies for centuries, from Benjamin Franklin and Thomas Edison to the Wright Brothers and Henry Ford. But if we want to foster future creativity, we must do more to encourage today's inventors. Now is the time to act.

I urge the House to support the America Invents Act.

Mr. Chairman, I reserve the balance of my time.

Ms. ZOE LOFGREN of California. I yield myself such time as I may consume to oppose H.R. 1249.

I have worked on the patent reform effort since 1997 and am disappointed that here today I am unable to support the bill as it exists. I did vote to report this bill out of our Judiciary Committee, but since that time we have seen two unfortunate things occur that have made this bill simply not viable. The first, and exceedingly important, is the protections for patent fees, so that all the fees would stay in the office, have been removed. The regular appropriations process will allow for fee diversions in the future.

It has been the policy of the House, for example, not to divert fees from the Office. However, fees continue to be diverted. In fact, in the CR approved by the House this year, we diverted between \$85 million and \$100 million in

fees from the Patent Office, and that is under the existing prohibition. So that is a major reason why the bill is defective.

I would note also that if we are moving to a first-to-file system, there has to be robust protection for prior user rights, including prior user rights in the grace period that exists under current law. Sadly, those protections are missing in this bill. The manager's amendment talks about disclosures only. It is a shame that other prior art, such as trade secrets and the like, would not receive the same protection.

So I would urge that the bill, unfortunately, cannot be supported. I intend to oppose it, as well as the manager's amendment.

I yield such time as he may consume to the honorable gentleman from North Carolina (Mr. WATT), the distinguished ranking member of the Intellectual Property Subcommittee.

Mr. WATT. I thank the gentlewoman for yielding time.

As the gentlewoman has indicated, I am the ranking member of the Subcommittee on Intellectual Property of Judiciary, and I too supported reporting the bill favorably to the House floor. The problem is that the bill we may end up debating is not the bill that we reported favorably from the Judiciary Committee, and there are reasons for that. I understand what those reasons are, but if the amendment that is being offered as the manager's amendment passes, it will put us in a position where substantial people who supported the bill will be unable to do so.

Here is the equation. One of the primary purposes for which there was a strong alliance of people and groups and interests supporting patent reform was that in the past fees that have been paid to the Patent and Trademark Office have gone through the appropriations process, and over the last 10 years almost \$800,000 of those fees have been diverted to other purposes, other than the use of the Patent and Trademark Office. The effect of that is that there has been a hidden tax on innovation in our country.

The United States Senate passed a bill that would end that diversion. They passed it by a vote of 85-4. We passed a bill out of our Judiciary Committee that would end that diversion, and all of a sudden we come to the floor and a manager's amendment is being offered that, if it is not defeated, will undermine that unifying thing that has held the groups together and allowed people to support the bill. So I have to be in a position where I am strongly opposing the manager's amendment to this bill.

I don't think the groups out there support it. It is not often that I come to the floor and say I am speaking for the U.S. Chamber of Commerce. The Chamber of Commerce would like for the diversion of fees to stop.

□ 2010

It's not often that I come to the floor and say that I'm speaking, I think, for

the United States Senate. They've already passed a bill that would stop the diversion of fees. It's not often that I come to the floor standing up for the bill that came out of our committee against forces that have taken it over and are putting forward a manager's amendment that we simply cannot support.

Now, I understand how we got here. The appropriators would like to continue to control the process. They said, Well, we are going to object to this, and we will raise a point of order. And they came up with language that professes to solve the problem. The problem is that that raised another point of order because the Congressional Budget Office said, Well, if you do it that way, you are going to put yourself in a situation where we have to score this bill in a different way. So then the leadership on the chairman's side said, Okay, well, we can waive that rule. And I'm saying, Well, if you can waive the rule, you are the people who have been so much worried about the deficit, if you can waive the rule that gets around worrying about the deficit, why couldn't you waive the rule that allows us to take up the bill that we passed out of committee?

So I need to be addressing my Republican colleagues here. If they want to start this process over, the way to start the process over is to vote against the manager's amendment. That's the simple way to do it. At that point we can get back, hopefully, to a bill that does clearly not divert fees and that the whole population of supporters has said we would support.

That's where I am, Mr. Chairman. I don't want to belabor this. I don't want to take away time from other people who want to speak. But it's not the bill itself that came out of committee that's the problem. If we pass the manager's amendment, we've got a problem here. We could tinker around the edges of the bill that came out of the committee, and we could solve the minor concerns that we've got there. But there's no way to tinker around the edges of this diversion issue. Either you support diversion of money, or you don't support diversion of money.

I think it's time for us to stop this hidden tax that we have imposed on innovation in this country. The only way to do that is to defeat the manager's amendment.

Mr. SMITH of Texas. Madam Chair, I yield 3 minutes to the gentleman from North Carolina (Mr. COBLE), the chairman of the Courts, Commercial, and Administrative Law Enforcement Subcommittee of the Judiciary Committee.

Mr. COBLE. I thank the gentleman from Texas. And I say to my friend from North Carolina, it was my belief that diversion had ended. But let me make my statement, and maybe we can get to this subsequently.

A robust patent system, Madam Chairman, is critical to a strong, developed economy. And H.R. 1249, in my

opinion, serves that goal by ending diversion of user fees to other agencies. Ending diversion is essential to a robust and strong patent system, it seems to me. This is not a new concept. It's been a controversial issue for many years; but we're at a point where if something isn't done, the office is going to be overwhelmed.

When someone asks why I support patent reform, I respond, The answer is simple, two words: backlog and pendency. The number of pending applications, I am told, is around 700,000, and the average time for an application to be reviewed is 30 months. This is unacceptable. The number of pending claims should be approximately 300,000 and the pendency time period should be approximately 20 months, or 10 months less than what it is now. Patents provide innovative and economic incentives for creators. If our patent system loses its efficacy, those incentives will become diluted. The dilution begins very simply when inventors decide to find other forms of protection for their ideas or begin marketing their ideas independently to avoid the cost and sometimes hassle of filing for patent protection.

Reducing the backlog and pendency rate depends on the office's ability to improve the performance of examiners and to provide additional examiners. Enacting H.R. 1249, in my opinion, Mr. Chairman, and ending diversion will provide that needed certainty for the office to begin making the changes to meet these goals.

I urge Members to vote in favor of the bill.

Ms. ZOE LOFGREN of California. Madam Chairman, I yield 30 seconds to the gentlewoman from Ohio (Ms. KAPTUR).

Ms. KAPTUR. I thank the gentlelady for yielding to me. I will place in the RECORD dozens and dozens of organizations that oppose this bill. They oppose the manager's amendment. And what is amazing about these groups is they range the vast ideological spectrum from liberal to conservative to moderate. And they all represent people—thousands and thousands of people—such as the American Bar Association, the Eagle Forum, the American Civil Rights Union, the Christian Coalition, the Family Research Council Action, Friends of the Earth, National Association of Realtors, Innovation Alliance. If one looks across this list, they have deep concerns about this bill and oppose it.

The following groups oppose H.R. 1249 or specific provisions of it or the Manager's Amendment: U.S. Business and Industry Council; National Association of Realtors; Innovation Alliance, American Bar Association; American Medical Association; ACLU; Breast Cancer Action; US-Israel Science & Technology Foundation (Sections 3 and 5); Public Citizen (Section 16); American Association for Justice (Section 16); Joan Claybrook, President Emeritus, Public Citizen; National Consumers League; Trading Technologies; Patent Office Professional Association (POPA); Generic Pharmaceutical

Association (Section 12); Eagle Forum; Intellectual Ventures (Section 18); Data Treasury (Section 18).

Angel Venture Forum; BlueTree Allied Angels; Huntsville Angel Network; Private Investors in Entrepreneurial Endeavors; Institute of Electrical and Electronic Engineers (IEEE-USA); Wisconsin Alumni Research Foundation; Brigham Young University; University of Kentucky; Hispanic Leadership Fund; American Innovators for Patent Reform; National Association of Patent Practitioners (NAPP); National Small Business Association; IPAdvocate.org; National Association of Seed & Venture Funds; National Congress of Inventor Organizations; Inventors Network of the Capital Area; Professional Inventors Alliance USA; Public Patent Foundation; Edwin Meese, III, Former Attorney General of the United States; Let Freedom Ring.

American Conservative Union; Southern Baptist Ethics and Religious Liberty Convention; 60 Plus; Tradition, Family, Property; Gun Owners of America; Council for America; American Civil Rights Union; Christian Coalition; Patriotic Veterans, Inc.; Center for Security Policy; Family PAC Federal; Liberty Central; Americans for Sovereignty; Association of Christian Schools International; Conservative Inclusion Coalition; Oregon Health & Science University; North Dakota State University; South Dakota University; University of Akron Research Foundation; University of New Hampshire.

University of New Mexico; University of Utah; University of Wyoming; Utah Valley University; Weber State University; WeReadTheConstitution.com; Family Research Council Action; Friends of the Earth; National Women's Health Network; Our Bodies Ourselves; Center for Genetics and Society; International Center for Technology Assessment; Southern Baptist Ethics & Religious Liberty Commission; United Methodist Church—General Board of Church and Society; American Society for Clinical Pathology; American Society for Investigational Pathology; Association for Molecular Pathology; College of American Pathologists; Association of Pathology Chairs.

Mr. SMITH of Texas. Madam Chair, I yield 5 minutes to the gentleman from Virginia (Mr. GOODLATTE), who is the chairman of the Intellectual Property Subcommittee of the Judiciary Committee.

Mr. GOODLATTE. I thank the chairman for yielding and for his leadership on this issue, and I rise in strong support of H.R. 1249.

For the better part of the past decade, Congress has been working to update our patent laws to ensure that the incentives our Framers envisioned when they wrote article I, section 8, of our Constitution remain meaningful and effective. The U.S. patent system must work efficiently if America is to remain the world leader in innovation. It is only right that as more and more inventions with increasing complexity emerge, we examine our Nation's patent laws to ensure that they still work efficiently and that they still encourage and not discourage innovation.

The core principles that have guided our efforts have been to ensure that quality patents are issued by the PTO in the first place and to ensure that our patent enforcement laws and procedures do not create incentives for opportunists with invalid claims to ex-

plot while maintaining strong laws that allow legitimate patent owners to enforce their patents effectively. H.R. 1249 addresses these principles.

With regard to ensuring the issuance of quality patents, this legislation allows third parties to submit evidence of prior art during the examination process, which will help ensure examiners have the full record before them when making decisions. In addition, after the PTO issues a patent, this legislation creates a new post-grant opposition system in which third parties can raise objections to a patent immediately after its issuance, which will both help screen out bad patents while bolstering valid ones.

□ 2020

Furthermore, the bill contains a provision on fee diversion where any fees that are collected but not appropriated to the PTO will be placed in a special fund to be used only by the PTO for operations. This solves the fee diversion issue, and it assures that the problem that we have had in the past will not take place in the future; but at the same time it also assures that the Congress will continue its oversight authority because the Patent Office will have to come to the Congress, to the Appropriations Committee, to justify those expenditures. They can't be spent on anything else, but they have to be justified to the Congress before the funds are appropriated. These funds will still be subject to appropriation but will be set aside to only fund the PTO. With a backlog of almost a million patent applications and many waiting 3 years to get an initial action on their patent applications, this agreement could not come at a more crucial time. We have been trying for 10 years, by the way, and this is the closest we have ever come.

In addition to these patent quality improvements, H.R. 1249 also includes provisions to ensure that patent litigation benefits those with valid claims but not those opportunists who seek to abuse the litigation process. Many innovative companies, including those in the technology and other sectors, have been forced to defend against patent infringement lawsuits of questionable legitimacy. When such a defendant company truly believes that the patent being asserted is invalid, it is important for it to have an avenue to request the PTO to take another look at the patent in order to better inform the district court of the patent's validity. This legislation retains an inter partes re-exam process, which allows innovators to challenge the validity of a patent when they are sued for patent infringement.

In addition, the bill allows the Patent and Trademark Office to reexamine some of the most questionable business method patents, which opportunists have used for years to extort money from legitimate businesses. By allowing the PTO to take another look at

these patents, we help ensure that invalid patents will not be used by aggressive trial lawyers to game the system.

The bill also ensures that abusive false markings litigation is put to an end. Current law allows private individuals to sue companies on behalf of the government to recover statutory damages in false markings cases. After a court decision 2 years ago that liberalized the false markings damages awards, a cottage industry has sprung up, and false markings claims have risen exponentially. H.R. 1249 maintains the government's ability to bring these actions but limits private lawsuits to those who have actually suffered competitive harm. This will discourage opportunistic lawyers from pursuing these cases.

The bill also restricts joinder rules for patent litigation. Specifically, it restricts joinder of defendants to cases arising out of the same facts and transactions, which ends the abusive practice of treating as codefendants parties who make completely different products and have no relation to each other.

Furthermore, the bill addresses the problem of tax strategy patents. Unbelievably, tax strategy patents grant monopolies on particular ways that individual taxpayers can comply with the Tax Code.

The Acting CHAIR (Ms. FOXX). The time of the gentleman has expired.

Mr. SMITH of Texas. I yield the gentleman an additional 30 seconds.

Mr. GOODLATTE. Over 140 tax strategy patents have already been issued, and more applications are pending. Tax strategy patents have the potential to affect tens of millions of everyday taxpayers, many who do not even realize that these patents exist. The Tax Code is already complicated enough without also expecting taxpayers and their advisers to become ongoing experts in patent law.

Scores, hundreds of organizations in fact, support these reforms. It is important that this House supports the manager's amendment; and by the way, the United States Chamber of Commerce supports the manager's amendment and the bill.

That is why I worked to include in H.R. 1249 a provision to ban tax strategy patents. H.R. 1249 contains such a provision which deems tax strategies insufficient to differentiate a claimed invention from the prior art. This will help ensure that no more tax strategy patents are granted by the PTO.

Importantly, the House worked hard to find a compromise that will ensure Americans have equal access to the best methods of complying with the Tax Code while also preserving the ability of U.S. technology companies to develop innovative tax preparation and financial management software solutions. I believe the language in H.R. 1249 strikes the right balance.

By giving the necessary tools to the Patent Office to issue strong patents

and by enacting litigation reforms, we will help to inject certainty about the patents that emerge from this process—patents rights that are more certain to attract more investment capital. This will allow independent inventors, as well as small, medium and large-sized enterprises to grow our economy and create jobs.

Ms. ZOE LOFGREN of California. Madam Chair, may I inquire as to how much time remains?

The Acting CHAIR. The gentlewoman from California has 20 minutes remaining, and the gentleman from Texas has 17½ minutes remaining.

Ms. ZOE LOFGREN of California. At this point, I would be honored to yield 3 minutes to the gentlelady from Texas, a member of the Judiciary Committee, Ms. SHEILA JACKSON LEE.

Ms. JACKSON LEE of Texas. I thank the distinguished Member from California.

To my colleagues on the floor, this has to be, could have been or hopefully can be one of the greatest opportunities for bipartisanship that we have seen in any number of years. That was the process that was proceeded under on the Judiciary Committee, though obviously there are always disagreements; but the whole idea of our debate and the support of the present underlying legislation without the manager's amendment was to, in fact, create jobs.

In the committee, a number of my amendments were accepted, but in particular, the focus of converting from a first-inventor-to-use system to a first-inventor-to-file was thought to promote the progress of science by securing for a limited time to inventors the exclusive right for their discoveries and to provide inventors with greater certainty regarding the scope of protections granted by these exclusive rights.

Further, this new system was to be, or should be, able to harmonize the United States patent registration system with similar systems used by nearly all other countries with whom the United States conducts trade. This was to shine the light and open the door on American genius.

In addition, so many of us have waited so long to be able to give the resources to the PTO in order for it to do its job. We were aghast in hearings to hear that there is a 7,000-application backlog, so I rise as well to express enormous concern with the manager's amendment, which, as the PTO director has indicated, Dave Kappos, every time we do not process a PTO, or a patent, for some genius here in the United States, for some hardworking inventor, every patent that sits on the shelf at the PTO office is taking away an American job, and that job is not being created. As well, it is denying a product from going to the market, and it is someone's life that is not being saved, and our country ceases to grow.

We need jobs in this country. We need a Patent Office that is going to

expedite and move forward. We don't need discussions about lawyers fighting lawyers or trial lawyers. This is not a case of anti-lawyer legislation. We hope that some of the small businesses and large companies have their lawyers fighting to preserve and protect their patents. This bill will give them the opportunity to have that protection, but I am disappointed that all of a sudden the manager's amendment changed around and took an enormous amount of those fees and invested them elsewhere instead of helping our small businesses. I am also disappointed that we don't recognize that a bill that helps big businesses can help small businesses as well, so I had offered an amendment that would extend the grace period while the small business is working to fund its patent.

The Acting CHAIR. The time of the gentlewoman has expired.

Ms. ZOE LOFGREN of California. I yield the gentlewoman an additional 15 seconds.

Ms. JACKSON LEE of Texas. The period is now a year—I'd indicated 18 months—because small businesses have to reach to others to help fund their inventions, and they let their secrets out of the bag. Eighteen months protects their disclosures for a period of time for them to be able to move forward.

Lastly, I had a sunset provision that would help small businesses as well as relates to the sunset of the business method patents review.

This could be a good bill. I hope that we can correct it, and I ask my colleagues to consider correcting this bill.

Madam Chair, I rise in support of H.R. 1249, "America Invents Act." However I am concerned over the drastic fee charges that were made in the new Manager's Amendment completely contrary to our agreement in the House Judiciary markup—it takes enormous amounts of money from the work of the PTO. As a Senior member of the Judiciary Committee and a member of the Subcommittee on Intellectual Property, Competition and the Internet, I am proud to support this legislation because in many ways the current patent system is flawed, outdated, and in need of modernization.

The Judiciary Committee labored long and hard to produce legislation that reforms the American patent system so that it continues to foster innovation and be the jet fuel of the American economy and remains the envy of the world. This legislation incorporates amendments that I offered during the full committee markup as it recognizes the importance of converting from a first-inventor-to-use system to a first-inventor-to file will promote the progress of science by securing for a limited time to inventors the exclusive rights to their discoveries and provide inventors with greater certainty regarding the scope of protections granted by these exclusive rights. Further, this new system will harmonize the United States patent registration system with similar systems used by nearly all other countries with whom the United States conducts trade. This legislation will continue to ensure that the United States is at the helm of innovation.

Our Nation's Founders recognized the integral role the patent system would play in the

growth of our nation. Within our Constitution, they explicitly granted Congress with the power to issue patents. The Founders were supporting a fundamental part of the American dream which is to live in a free land where ideas can be shared thereby leading to the individual ingenuity, invention, and innovation.

Madam Chair, Article I, Section 8, clause 8 of the Constitution confers upon the Congress the power:

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

In order to fulfill the Constitution's mandate, we must examine the patent system periodically. The legislation before us represents the first comprehensive review of the patent system in more than a generation. It is right and good and necessary that the Congress now reexamine the patent system to determine whether there may be flaws in its operation that may hamper innovation, including the problems described as decreased patent quality, prevalence of subjective elements in patent practice, patent abuse, and lack of meaningful alternatives to the patent litigation process.

On the other hand, we must always be mindful of the importance of ensuring that small companies have the same opportunities to innovate and have their inventions patented and that the laws will continue to protect their valuable intellectual property.

The role of venture capital is very important in the patent debate, as is preserving the collaboration that now occurs between small firms and universities. We must ensure that whatever improvements we make to the patent laws are not done so at the expense of innovators and to innovation. The legislation before us, while not perfect, does a surprisingly good job at striking the right balance.

From small towns to big cities, our country is filled with talent and genius. As it stands, the United States has four times as many patent applications filed here per year than in Europe. The United States Patent and Trademark office must have the tools to meet this demand. Failing to change the patent system as we know it will deny the men and women from around our nation fair and equal access to a streamlined and effective patent system.

The current system has a backlog of hundreds of thousands of patents, nearly 700,000 applications are waiting to be reviewed. The USPTO is currently reviewing applications from 2007/2008, and using the fees received from the most recent patent applications to do so due to limitations in the current system under which the USPTO is funded. This has caused inventors and business creators to wait on average three years prior to receiving a determination on whether or not their patents are valid.

Without that determination it is nearly impossible for a small business to receive the necessary venture capital. That's a three-year waiting period for struggling small businesses; this is a three-year gap filled with financial uncertainty which leads to a three-year delay in job creation. Only 4 out of ten applications, or 42 percent, of patent applications are approved. It is vital to have approval prior to attaining financing because there is a 58 percent chance that a patent will not be approved. Given our current economic environment, a three year backlog is too long for any

individual to wait to build a business which will create new jobs, especially at a time when jobs are sorely needed by many right now. Patent reform is the key to economic change that could lead to untapped job growth.

Since the creation of the USPTO in 1790 it has issued 7,752,677 patents and many of those patents have resulted in the creation of new jobs. In 2010, 121,179 patents granted by the USPTO originated in the United States of those granted 8,027 went to applicants in Texas. Imagine how many jobs could be created if there were not a 700,000 patent application backlog.

Our current system is outdated and the backlog makes it evident that our system is in serious need of change. Patent reform must reflect the major advances in our society over the last 50 years. Since the last major patent reform how we live has been transformed by a variety of inventions such as the home computer, ATM, video games, cellular phones and mobile devices, and life saving technologies like the artificial heart, all of which have been invented since any major reform of our patent system.

Madam Chair, patent reform is a complex issue but one thing is clear the innovation ecosystem we create and sustain today will produce tomorrow's technological breakthroughs. That ecosystem is comprised of many different operating models. It is for that reason that we evaluated competing patent reform proposals thoroughly to ensure that sweeping changes in one part of the system do not result in unintended consequences to other important parts.

Let me discuss briefly some of the more significant features of this legislation, which I will urge all members to support. H.R. 1249 converts the U.S. patent system from a first-to-invent system to a first inventor-to-file system. The U.S. is alone in granting priority to the first inventor as opposed to the first inventor to file a patent. H.R. 1249 will inject needed clarity and certainty into the system. While cognizant of the enormity of the change that a "first inventor-to-file" system may have on many small inventors and universities, a study regarding first-to-file will be conducted by the Small Business Administration and the United States Patent Office to identify any negative impact this change may have on these inventors.

Furthermore, H.R. 1249 adjusts the fee structure which funds the USPTO, giving them greater control over the fees they collect for patent services and enabling the USPTO to improve its efficiency and review more patents at a greater speed. Currently, the USPTO is funded solely by the fees it receives from its users. However, not all the fees collected are available for use by the USPTO because Congress appropriates a specific amount, and any fees above the appropriated amount are used for other non-USPTO purposes. Under H.R. 1249, the USPTO will have greater control over the use of the fees it receives, giving them greater flexibility to make necessary improvements to the patent system.

SMALL BUSINESS FACTS

Several studies, including those by the National Academy of Sciences and the Federal Trade Commission, recommended reform of the patent system to address what they thought were deficiencies in how patents are currently issued.

The U.S. Department of Commerce defines small businesses as businesses which employ

less than 500 employees. According to the Department of Commerce in 2006 there were 6 million small employers representing around 99.7% of the nation's employers and 50.2% of its private-sector employment. In 2002 the percentage of women who owned their business was 28% while black owned was around 5%. Between 2007 and 2008 the percent change for black females who were self employed went down 2.5% while the number for men went down 1.5%.

There were 386,422 small employers in Texas in 2006, accounting for 98.7% of the state's employers and 46.8% of its private-sector employment. Since small businesses make up such a large portion of our employer network, it is important to understand how they will be impacted as a result of patent reform.

In 2009, there were about 468,000 small women-owned small businesses compared to over 1 million owned by men

The number of small employers in Texas was 386,422 in 2006, accounting for 98.7% of the state's employers and 46.8% of its private-sector employment, 88,000 small business owners are black, 77,000 are Asian, 319,000 are Hispanic, 16,000 are Native Americans.

SMALL BUSINESSES AND JOB CREATION

Small Businesses:

Represent 99.7 percent of all employer firms.

Employ just over half of all private sector employees.

Generated 64 percent of net new jobs over the past 15 years.

Create more than half of the nonfarm private gross domestic product (GDP).

Hire 40 percent of high tech workers (such as scientists, engineers, and computer programmers).

Made up 97.3 percent of all identified exporters and produced 30.2 percent of the known export value in FY 2007.

Produce 13 times more patents per employee than large patenting firms; these patents are twice as likely as large firm patents to be among the one percent most cited.

Creativity and technological change are the engines for our economic growth. In our current economic climate, patents spur innovation and lay the foundation for future growth, by assuring inventors that they will receive the rewards for their effort. I urge all members to join me in supporting passage of this landmark legislation.

Mr. SMITH of Texas. Madam Chair, I yield 3 minutes to the gentleman from Ohio (Mr. CHABOT), who is the senior member of the Constitution Subcommittee and a senior member of the Intellectual Property Subcommittee of the Judiciary Committee.

Mr. CHABOT. I first want to thank Chairman SMITH and Chairman GOODLATTE for their leadership in getting us to the point that we are on this important legislation here this evening.

Section 8, clause 8 of the Constitution states that the Congress shall have power to "promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." The Constitution clearly grants Congress the authority to grant patent rights to inventors, and it defers to the discretion

of Congress how best to procedurally award these rights to the inventor.

I rise in support of H.R. 1249, the America Invents Act. The first-inventor-to-file provision shifts us to a system used by all other modern, industrial nations. This system would end the need for expensive discovery and litigation over priority dates and would put an end to expensive interference proceedings that small entities overwhelmingly lose.

This provision also ensures that inventors can establish priority dates by filing simple and inexpensive provisional applications. This is a much needed change, which former U.S. Attorney General Michael Mukasey indicated would be both constitutional and wise. Congress has the right, in fact the duty, to protect those who invent or discover.

□ 2030

Through in-depth studies conducted by former U.S. PTO commissioners, the first-to-file system has been found to be faster and cheaper in resolving disputes among inventors. The current system creates an environment for exorbitantly expensive litigation. It has also become cost prohibitive for small businesses and independent inventors to fight the claims filed by larger corporations which can cost over half a million dollars just to litigate.

In the past 7 years, only one independent inventor out of 3 million patent applications filed has successfully proved an earlier date of invention over the inventor who filed first. However, with the new first-inventor-to-file system, a bold timeline of filing dates will allow these small businesses and independent inventors to more easily defend and settle their disputes over the rightful patent holder.

Lastly, the Supreme Court has never held that first-to-file is an unconstitutional procedure. We are now simply returning to the system that our Founders originally established. It is a commonsense procedure that will spur more rapid innovation, yield new jobs, and stimulate the economy; and I think as we all know if we ever needed to get this economy moving and get America back to work, we're in that time right now.

Ms. ZOE LOFGREN of California. I yield 2 minutes to the gentleman from Illinois (Mr. MANZULLO).

Mr. MANZULLO. Madam Chair, in my office there are two photographs, one with me and Edwards Deming and the other of Dr. Ray Damadian, who is the inventor of the MRI. Dr. Damadian visited our office, and I said, What's wrong with this bill? He said, Everything. He said, If this bill were law when I invented the MRI, today we would not have the MRI.

There are a lot of problems with this bill. This is my fourth patent fight with my esteemed colleague from Texas, but we do agree on most issues; but now we have two persons who simply disagree on policy.

Back in 2004 when I chaired the Small Business Committee, I was instrumental in putting in a fixed-fee structure for small businesses; and to do that, I had stricken from the bill the authority of the PTO Director to set fees. This new bill gives to the PTO Director the ability to set fees, even though the initial filing fees for small businesses have been lowered. The problem is that the PTO can come in and simply raise fees to so-call "manage their operations."

In fact, two reports, "The 21st Century Strategic Plan" filed in June of 2002 by the U.S. PTO, said fees were based upon a highly progressive system aimed at strictly limiting applications containing very high numbers of claims and also the same thing in 2007. Their idea of decreasing claims in the patent office is to raise fees. Obviously, who's that going to hurt? It's going to be the little guy, and that's why it's one of many reasons I oppose this bill. But we should not delegate the authority that Congress has to set fees in one of the few constitutional functions that we have in this body over to somebody who has already stated that he's going to raise fees.

You raise fees, guess who gets hurt—the future Ray Damadian, the little inventor, the people who invent things in this country, the true creators of jobs.

Madam Chair, I rise in strong opposition to this anti-innovation bill. I believe this bill will stifle job creation and is unconstitutional.

Over the past 40 years, the value of corporations has shifted from tangible assets, such as real estate and machinery, to intellectual property. During this same time period, the primary source of all net new job creation has come from start-up small companies.

However, since the first major change to our patent system in 1994 that altered the length of the patent from 17 years from award to 20 years from filing, the number of patent awards from start-ups and small, individual inventors has dropped dramatically. Patents awarded to start-up firms decreased from 30 percent of all awards in 1993 to 18 percent in 2009. Patents awarded to small inventors dropped from 12 percent in 1993 to 5 percent in 2009.

Why? America has slowly shifted towards a European-style patent system, which gives more opportunities to challenge a patent, resulting in delays in receiving approval for granting a patent, thus shortening the length of the exclusive use of the patent. Now, the average wait is three years. This bill would finalize the shift towards a European-style patent system through changing from a "first-to-invent" to "first-to-file" system; establishing a new set of "prior use" rights; and adopting a third European-style "post-grant" challenge.

This bill would prompt a litigation boom, primarily inside the administrative review processes at the U.S. Patent and Trademark Office. In Europe, five percent of patents are challenged. In the United States, only 1.5 percent of patents are challenged in court, contrary to the misinformation from the other side of this debate that there is a litigation boom in patent cases. Japan dropped post-grant review in 2004 because it consumed 20 percent of their patent office resources. Canada saw a one-third increase in patent applications and

clogged up its system when it shifted to "first-to-file." Commenting on similar legislation in 2007, a former senior judge and Deputy Director of the IP Division of the Beijing High People's Court said the bill "will weaken the right of patentees greatly, increase their burden, and reduce the remedies for infringement . . . the bill favors infringers and burdens patentees . . . It is not bad news for developing countries which have lower technological development and relatively fewer patents." That is why entrepreneurial organizations such as the National Small Business Association (NSBA) and the Angel Venture Forum oppose H.R. 1249.

Second, I believe the bill is unconstitutional on several grounds. First, H.R. 1249 shifts from a "first-to-invent" system to "first-to-file." However, Article 1, Section 8 states that the Congress shall have power "to promote the progress of science . . . by securing for limited times to . . . inventors the exclusive rights to their respective . . . discoveries."

The First Congress included 23 of the 55 delegates to the Constitutional Convention. Three other delegates served in the Executive Branch, including President George Washington. When examining the 1790 Patent Act, we know the intent of the Founding Fathers in patent law—the legislation clearly states that the patent goes to the "first and true" inventor.

This was recently reaffirmed in a June 6, 2011, Supreme Court decision written by Chief Justice John Roberts in *Stanford v. Roche*, in which he said that "(s)ince 1790, the patent law has operated on the premise that rights in an invention belong to the inventor . . . Although much in intellectual property has changed in the 220 years since the first Patent Act, the basic idea that inventors have the right to patent their inventions has not."

In addition, two constitutional scholars specializing in patent law ranging the political spectrum agree that moving to a first to file system is unconstitutional. Jonathan Massey, former law clerk to Supreme Court Justice William Brennan and who represented former Vice President Al Gore in *Bush v. Gore* said, "Our nation's founders understood that technological progress depends on securing patent rights to genuine inventors, to enable them to profit from their talents, investment, and effort . . . If the bill's provisions had been law in the 20th Century, the Wright Brothers would have been denied a patent for the airplane."

Adam Mossoff, Professor of Law at George Mason University and Chairman of the Intellectual Property Committee of the conservative Federalist Society said, "In shifting from a first-to-invent to a first-to-file system, the America Invents Act contradicts both the text and the historical understanding of the Copyright and Patent Clause in the Constitution." But more importantly, of the only nine peer-reviewed law journal articles on the subject of patent reform, all have concluded that adopting a "first-to-file" system is unconstitutional. So, if this bill becomes law, it will be tied up in litigation, further delaying innovation, until the Supreme Court rules on its constitutionality.

Section 18 of H.R. 1249 also creates a special class of patents in the financial services sector subject to their own distinctive post-grant administrative review and would apply retroactively to already existing patents. Governmental abrogation of patent rights represents a "taking" of property and therefore

triggers Fifth Amendment obligations to pay “just compensation.” Section 18 would shift the cost of patent infringement from financial services firms to the U.S. Treasury. Finally, the “prior use” provision in H.R. 1249 violates the “exclusive” use provision guaranteed to inventors under the Constitution.

Thus, because this bill will hurt jobs and is unconstitutional, I urge my colleagues to oppose the bill. The manager’s amendment does not fix any of the problems with the bill; in fact, it further compounds the problems with the bill. The first step to fixing our patent system is to fix the PTO. This manager’s amendment would still allow patent fee diversion to take despite promises made in recent days. Permitting the PTO to retain its fees will allow the agency to hire more examiners and modernize its information technology infrastructure to reduce the massive backlog of pending patent applications. That’s real patent reform; not this bill.

Mr. SMITH of Texas. Madam Chair, I yield 1 minute to the gentleman from New Hampshire (Mr. BASS) for purposes of a colloquy.

Mr. BASS of New Hampshire. I thank the chairman.

I want to discuss some important legislative history of a critical piece of this bill, in particular, sections 102(a) and (b) and how those two sections will work together. I think we can agree that it is important that we set down a definitive legislative history of those sections to ensure clarity in our meaning.

Mr. SMITH of Texas. I want to respond to the gentleman from New Hampshire and say that one key issue for clarification is the interplay between actions under section 102(a) and actions under section 102(b). We intend for there to be an identity between 102(a) and 102(b). If an inventor’s action is such that it triggers one of the bars under 102(a), then it inherently triggers the grace period subsection 102(b).

Mr. BASS of New Hampshire. I believe that the chairman is correct. The legislation intends parallelism between the treatment of an inventor’s actions under 102(a) and 102(b). In this way, small inventors and others will not accidentally stumble into a bar by their pre-filing actions. Such inventors will still have to be diligent and file within the grace period if they trigger 102(a); but if an inventor triggers 102(a) with respect to an invention, then he or she has inherently also triggered the grace period under 102(b).

The Acting CHAIR. The time of the gentleman has expired.

Mr. SMITH of Texas. I yield myself 30 seconds.

Madam Chair, contrary to current precedent, in order to trigger the bar in the new 102(a) in our legislation, an action must make the patented subject matter “available to the public” before the effective filing date. Additionally, subsection 102(b)(1)(B) is designed to make a very strong grace period for inventors that have made a disclosure that satisfies 102(b). Inventors who have made such disclosures are protected during the grace period not only

from their own disclosure but from other prior art from anyone that follows their disclosure. This is an important protection we offer in our bill.

Ms. ZOE LOFGREN of California. Madam Chairwoman, I yield 2 minutes to my colleague from California (Mr. ROHRABACHER).

Mr. ROHRABACHER. Thank you very much, and I hope everyone is paying attention to what this is all about tonight.

First of all, we have DAN LUNGREN, one of our Members who is a former Attorney General of California, along with JIM SENSENBRENNER and JOHN CONYERS both the former chairmen of the Judiciary Committees, all of them adamant that this bill is unconstitutional. And now we have a discussion and we have a lot of people talking about backlogs and what’s wrong with the efficiency of the patent system or the patent office as if that’s what this is all about.

It is not what this is all about. This, again, has been designed, this is a patent fight that’s been going on 20 years. Basically, you have some very large multinational corporations who are trying to harmonize American patent law with the rest of the world, even though American patent law has been stronger than the rest of the world throughout our Republic’s history. You weaken the patent protection of the American people; you are weakening their constitutional protections in the name of harmonizing it with Europe. Is that what we want to do? I don’t think so. That will have dramatic impact on our country.

Hoover Institution, one of the most highly respected think-tanks in the United States, had four of their scholars go after this bill; and here’s three of the points they’ve made, through the many points, that said thumbs down on this America Invents Act. It is better called the patent rip-off bill. Here’s what Hoover Institution said: the America Invents Act will protect large, entrenched companies at the expense of market challenging competitors. Read that: overseas multinational corporations. They also said, The bill wreaks havoc on property rights, and predictable property rights are essential for economic growth.

This bill is a job killer, and the jobs that will be killed are in the United States of America, not the multinational corporation.

The Acting CHAIR. The time of the gentleman has expired.

Ms. ZOE LOFGREN of California. I yield the gentleman an additional 30 seconds.

Mr. ROHRABACHER. These multinational corporations, they’re creating jobs overseas. They don’t care if the jobs are lost here. The America Invents Act—here’s Hoover Institution again—the America Invents Act would inject massive uncertainty into the patent system.

We have had the strongest patent system in the world, and it has yielded

us prosperity and security as a people. We do not need to change the fundamentals of this system and to harmonize with weaker systems throughout the world.

I call for the people to vote against this patent rip-off bill.

Mr. SMITH of Texas. Madam Chair, I yield 2 minutes to the gentleman from Arizona (Mr. QUAYLE), who is also the vice chairman of the Intellectual Property Subcommittee of the Judiciary Committee.

Mr. QUAYLE. I thank the gentleman for yielding.

Madam Chair, I rise in support of H.R. 1249, and one of the reasons I do is because it encourages innovation and entrepreneurship by reducing costly litigation within our patent system. Innovation is the key to America’s immediate and future economic growth; and right now, many American innovators are being held back by an onerous and backlogged patent system. In order to unleash their job-creating potential, we must reform this system which hasn’t been reformed in almost 60 years.

□ 2040

One way this bill tackles patent reform is by creating a business method patent pilot program in which administrative patent judges will review the validity of these patents if a challenger presents evidence showing that a patent is more likely than not invalid.

Business method patents were not patentable until the late 1990s and have resulted in frivolous lawsuits which have cost between \$5 million to \$10 million per patent.

These types of patents cover a “method of doing or conducting business” which includes printing ads at the bottom of a billing statement, ordering something online but picking it up in person, tax strategies, or getting a text when your credit card gets swiped.

The tort abuse created by these patents has become legendary. Section 18 of this bill has broad bipartisan support in the Senate and is an alternative to costly litigation that will save 90 percent of the costs incurred in civil litigation.

I support Chairman SMITH’s work in creating a less costly, more efficient alternative to this abusive litigation and oppose any effort to strike section 18. As part of the Republican Conference’s overall effort to spur job creation and economic growth, I urge passage of this important legislation.

Ms. ZOE LOFGREN of California. Madam Chairman, I yield myself such time as I may consume.

I want to talk a little bit about the manager’s amendment under this general debate time because there is a very constrained amount of time for that discussion.

I want to touch on two things in particular. First is the fee issue. I know that there’s been discussion that somehow the fees won’t be diverted under

the manager's amendment, and I just think that is not a credible argument.

I remember back in the year 2000 when we were promised that the fees would not be diverted by the appropriators, but then subsequent to that, there was diversion. And the truth is that so long as this is part of the appropriations process, the fees can, and I predict will be, diverted just as they were diverted during the adoption of the CR this year. The PTO estimates an \$85 million to \$100 million diversion of fees in the CR that was adopted earlier this year. That conceptually is really just a special tax on innovators. If you raise the fees and you divert it for general purposes, that's just a special tax on inventors, and I just think it's wrong and I cannot support it.

I want to talk also, my colleague, Mr. WATT, said that other than the fee bill, we could resolve the issues, and I think we could have but we're not. There are two issues that I want to address and they are really closely related, and they're complicated but they're important.

Under our laws, an idea must be new, useful, and nonobvious in order to receive patent protection, and this is evaluated in comparison to what's known as prior art. That's the state of knowledge that exists prior to an invention. If an idea already exists in the prior art, you can't get a patent. Under current law, a variety of different things create prior art, such as descriptions of an idea in previous patents, printed publications, as well as public uses or sales. But current law has what's known as the grace period, which provides 1 year for an inventor to file a patent application after certain activities that would otherwise create patent-defeating prior art.

So, for example, if an inventor published an article announcing a new invention, he or she would have a year under this grace period to file a patent application for it, and this is a very important provision of patent law. It's pretty unique, actually, to the United States. The PTO director, David Kappos, referred to this grace period as "the gold standard of best practices."

As we move into the first-to-file system as is proposed in this bill, it is absolutely essential that the revised grace period extend to everything that is prior art under today's rules. Unfortunately, that is not the case in the manager's amendment. The grace period would protect, and this is a direct quote, "only disclosures." Well, what would that not protect? Trade secrets. Offers for sale that are not public. You could have entrepreneurs who start an invention and start a small business who won't be able to get a patent for their invention under the grace period, and entrepreneurs might then be forced to delay bringing their products to market, which would slow growth. This needs to be addressed, not in a colloquy but in language, and we agreed in the committee when we stripped out language that didn't fix this that we

would fix the 102(a) and (b) problem in legislation. There was a colloquy on the Senate floor similar to one that has just taken place, but we know that the language of the bill needs to reflect the intent. Judges look to the statute first and foremost to determine its meaning, and the legislative history is not always included.

So the ambiguity that's in the measure is troublesome. And although we prepared an amendment to delineate it, it has not been put in order, and, therefore, this remedy cannot be brought forth, and small inventors and even big ones may have a problem.

We now have our iPads on the floor, and while I was sitting here, I got an email from the general counsel of a technology company. I won't read the whole thing, but here is what this general counsel said:

"The prior use rights clause as written will be a direct giveaway to foreign competitors, especially those from countries where trade secret test is rampant."

What we're saying to American companies is that if you have a trade secret that you want to protect under the grace period prior art rules, you're out of luck. You are quite potentially out of luck. You'll either have to disclose that trade secret, and we know that there are serious concerns in doing that. We don't want to get into maligning countries around the world, but there are some that do not have the respect for intellectual property that we have. Or else we will say to that inventor or company that you can't use your own invention that you have devised without being held up for licensing fees with somebody who got to the office before you did.

This is a big problem that is not resolved. Even if the manager's amendment is defeated, this problem will remain in the bill. It is an impediment to innovation and an impediment to making first-to-file work. If we're going to have first-to-file, and I can accept that, it must have robust, broad, rigorous protection under the grace period with a broad definition of a prior art that is protected. That is just deficient in this bill.

This is, I know, down in the weeds. It's a little bit nerdy. We've spent many years talking about this in the Judiciary Committee. I'm just so regretful that this bill after so many years has gone sideways in the last 2 days and is something that we cannot embrace and celebrate.

I reserve the balance of my time.

Mr. SMITH of Texas. Madam Chair, I yield 2 minutes to the gentleman from Arkansas (Mr. GRIFFIN), who is also a member of the Intellectual Property Subcommittee of the Judiciary Committee.

Mr. GRIFFIN of Arkansas. Thank you, Mr. Chairman.

Madam Chairman, I rise today in strong support of H.R. 1249, the America Invents Act, and I urge my colleagues to support it.

Make no mistake, the America Invents Act is a jobs bill. At no cost to taxpayers, this legislation builds on what we as Americans do best: We innovate. Bolstering American innovation will create jobs at a time when we need it most.

The America Invents Act ends fee diversion and switches the U.S. to a first-inventor-to-file system. These changes will streamline the patent application process to help American innovators bring their inventions to market. Each new commercialized invention has the potential to create American jobs. This is a jobs bill.

A provision that I worked on included in the bill would make permanent the Patent and Trademark Office's ombudsman program for small business concerns. This program will provide support and services for independent inventors who may not have the resources to obtain legal counsel for guidance on obtaining a patent. This provision ensures that the small guys will always have a champion at the PTO to help them navigate the process.

□ 2050

In addition, the America Invents Act finally puts an end to fee diversion, a practice that has siphoned almost \$1 billion in fees from the PTO over the past 20 years. Too many patent applications have sat untouched for years because the PTO does not have the resources it needs to review them in a timely manner. Ending fee diversion will expedite the review and unleash their potential to create American jobs.

This bill is endorsed by the U.S. Chamber of Commerce, the National Association of Manufacturers, and the Small Business & Entrepreneurship Council. I urge my colleagues to support this jobs bill.

Ms. ZOE LOFGREN of California. I continue to reserve the balance of my time.

Mr. SMITH of Texas. Madam Chair, I yield 3 minutes to the gentleman from Virginia (Mr. GOODLATTE), as I mentioned awhile ago, the chairman of the Intellectual Property Subcommittee of the Judiciary.

Mr. GOODLATTE. Madam Chairman, it was mentioned earlier by one of those speaking in opposition to the bill that the National Association of Realtors was opposed to this legislation. And we will make available for the RECORD a letter that we received, dated 2 days ago, from the National Association of Realtors: "On behalf of the 1.1 million members of the National Association of Realtors, we are pleased to support H.R. 1249, the America Invents Act." It goes on to explain in great detail why they, along with literally hundreds of other organizations, support this legislation. That includes the United States Chamber of Commerce, the National Association of Manufacturers, and the Retail Federation of America. There is a whole host of organizations and individual companies,

both large and small, who support the legislation because they know that this is what is vital for job creation in this country.

We need to have reform of our patent laws because, unfortunately in recent years, countries like China have overtaken us in the productivity of their patent office. And the fact of the matter is, unless we change our patent laws, we are going to continue to be at a disadvantage. And the advantages that we've had in the past are no longer available to us because, quite frankly, the complexity of inventions has increased; and more and more, we find ourselves in a situation where the laws that we operate under today, which were last updated in 1952, need to be updated to address a lot of the abuses that you've heard described here this evening.

We also need to pass this legislation to make sure that the fee diversion, that, as has been noted, has kept nearly \$1 billion from going to the operation of the Patent Office to work down the 3-year 1 million patent backlog, also can be addressed. And we also need to recognize that this legislation, in addition to being a jobs bill, as recognized by all of these many, many, many companies and associations of various trade groups, it is also major litigation reform.

It cuts out the abuses with tax strategy patents and other business method types of patents, where individuals do not produce anything other than lie in wait for somebody else to come up with a similar idea and then come forward and say, Hey, that was really my idea, and now you pay me a lot of money. They aren't creating jobs. They, in fact, are causing jobs to leave this country.

So there are many reasons to support this legislation, and I would urge my colleagues to do so. We have not yet come to the manager's amendment, but it provides a critical component to making sure that fee diversion does not occur.

NATIONAL ASSOCIATION
OF REALTORS,
Washington, DC, June 20, 2011.

HOUSE OF REPRESENTATIVES,
Washington, DC.

DEAR REPRESENTATIVE: On behalf of the 1.1 million members of the National Association of REALTORS® (NAR), we are pleased to support H.R. 1249, the America Invents Act. NAR's support, however, is predicated upon the retention of important anti-fee diversion provisions contained in section 22 of the bill. NAR believes it is critically important that the U.S. Patent Trademark Office have access to all user fees paid to the agency by patent and trademark applicants. Without this reform, delays in processing patent applications will continue to undermine American innovation and stymie the nation's economy.

NAR, whose members identify themselves as REALTORS®, represents a wide variety of real estate industry professionals. REALTORS® have been early adopters of technology and are industry innovators who understand that consumers today are seeking real estate information and services that are fast, convenient and comprehensive. Increasingly,

technology innovations are driving the delivery of real estate services and the future of REALTORS® businesses.

The nation's patent law system faces many of the same issues but has not kept pace. It has been more than 50 years since the patent system's last major overhaul. Modernization is critically needed to improve the quality of issued patents, reduce the burden of unnecessary litigation on businesses and refocus the nation's efforts on innovation and job creation.

As technology users, NAR and several of its members currently find themselves facing onerous patent infringement litigation over questionable patents launched by patent holding companies and other non-practicing entities. Without needed reforms that assure that asserted patent rights are legitimate, the ability of businesses owned by REALTORS®, many of which are small businesses, to grow, innovate and better serve modern consumers will be put at risk. For this reason, NAR supports reforms such as expanded post-grant review and prior user rights.

The America Invents Act contains needed reforms geared towards improving patent quality. NAR supports greater transparency in the patent application process including creating a mechanism to allow practitioners with the expertise and knowledge to review and comment on the appropriateness of a patent application prior to the issuance of the patent and the creation of a streamlined and more effective process for challenging a patent outside of the judicial system. Finally, it is critically important that the U.S. Patent Trademark Office have access to all user fees paid to the agency by patent and trademark applicants. Without this reform, delays in processing patent applications will continue to undermine American innovation.

The National Association of REALTORS® supports H.R. 1249 with the section 22 anti-fee diversion provisions. We urge the House to pass this much needed legislation with these critical provisions.

Sincerely,

RON PHIPPS,
2011 President.

Ms. ZOE LOFGREN of California. I yield myself such time as I may consume.

I want to get back to the original reason why we've worked so hard on this bill, only to be here at the end of this process with a bill that we can't support. We started with hearings in the 1990s with the Federal Trade Commission and the National Academy of Science. And one of the things they pointed out was that there are more patents than there are inventions. We started focusing in on the abuse of litigation that occurred as well as the needs of the office.

My colleague is correct: The Patent Office has a tremendous backlog, and that is a serious concern for inventors and really for the country. The examiners have such an enormous backlog, they can't spend sufficient time reviewing the applicants. This has led to a flood of poor-quality patents that were issued over the last decade and a half that I think—and most believe—should have been denied by the office. These dubious patents do significant damage to particular industries, like the information technology industry, as they can be used by nonpracticing entities to demand rents from legitimate businesses and to interfere with

the development of legitimate products. Now, I don't blame the examiners at the PTO. They are working hard, but they don't have enough time to give each application the consideration it deserves.

A bill, as approved by the Judiciary Committee, would have helped remedy this problem by making sure—a lot of people don't realize that the Patent Office doesn't get any taxpayer money. The Patent Office is entirely supported by fees submitted by inventors. So keeping all of those fees that the inventors are paying in the office so that the patents can properly be dealt with in a timely fashion was a key component of this measure. Unfortunately, under the manager's amendment, that strong protection is simply gone.

And I know, as I said in the past, we've had unanimous votes in the Judiciary Committee. We've had promises never to do it again; but the diversions have continued, and it is clear that they will continue under the manager's amendment provision because it allows the regular process to continue as it has in the past.

I have not submitted lists of letters of who's in favor, who's opposed to this bill. It's my understanding that the Realtors Association is, in fact, opposed to the manager's amendment; but we're not going to vote on these amendments tonight. We're rolling these votes until tomorrow. So we will research that, and we will find the truth of where they are and make that information available to the Members because certainly Realtors are a very valuable part of our Nation's economy.

I want to talk a little bit as well about whether we can fix the defect on prior art by an amendment that will be offered later in the week by the gentleman from Michigan (Mr. CONYERS) and the gentleman from California (Mr. ROHRBACHER). They propose that the first-to-file patent system that is being promoted to harmonize our system with other countries would not go into effect until the grace period, which is the critical part of the patent system, actually is fixed and harmonized.

If the manager's amendment is passed, the fatal defect of defining the prior art is disclosures, I don't believe can be fully remedied by this amendment, although I think that this amendment is a good one, and I intend to support it. So I think it's very important that the manager's amendment be defeated. I would hope that if that happens, that we might have a chance to step back and to fully examine where we are in terms of the prior user rights and the grace period because, as the patent commissioner had said, this is the gold standard, the United States has had the gold standard in patents with this grace period. It would be a shame not just for the Congress but for our country and our future as innovators to lose this genius part of our patent system.

I reserve the balance of my time.

□ 2100

Mr. SMITH of Texas. Madam Chair, I yield 2½ minutes to the gentleman from Virginia (Mr. GOODLATTE).

Mr. GOODLATTE. Madam Chairman, the gentlewoman has expressed concern about the fee diversion provision in the manager's amendment. I think it is actually a very good provision; and it will, for the first time, end fee diversion at the Patent and Trademark Office by statute. It accomplishes both our overarching policy goals and maintains congressional oversight.

For the first time, we are establishing an exclusive PTO reserve fund that will collect all excess PTO fees and bring an end to fee diversion. It's been expressed on the other side of the aisle that maybe with the authority to set fees that is granted for a limited period of time in this bill, there will be an abuse in the Patent Office. But it can't be abused very much because the fees will still be subject to appropriations here in the Congress. They can't spend them on other things. They can't divert them, but they can put them in escrow, and they can require the PTO to come in and justify those fees before they're authorized. There will be no incentive to have excess fees if there can't be excess expenditures because of congressional oversight.

Patent reform has been a long road; and with the inclusion of this provision, we have ensured that all funds collected by the PTO will remain available to them and may not be diverted to any other use.

Ending fee diversion has been an important goal for all of us; and as we crafted legislation, our ultimate policy goal was to ensure that PTO funds are not diverted for other uses, such as earmarks or for other agencies.

Working with leadership and the Appropriations Committee, we developed a compromise provision that accomplishes our shared policy goal through a statutorily created PTO reserve fund.

This compromise was carefully brokered by leadership to ensure that it aligned with House rules and did not include mandatory spending that would have resulted in a score. Just a few months ago, including a provision like this one would have been unheard of, and no such provision has been included in patent bills considered by previous Congresses.

All excess fees that the PTO collects will be deposited into the PTO reserve fund and amounts in the fund "shall be made available until expended only for obligation and expenditure by the Office."

This compromise provision also ensures that the Appropriations and Judiciary Committees will continue to have oversight over the PTO. Though PTO remains within the appropriations process, the appropriators no longer have an incentive to divert fees. In other words, because excess fees are made available to the PTO, there will be no scoring advantage to the Appropriations Committee to decrease the

appropriations, and this will not impact their 302(b) allocation for Commerce, Justice, State appropriations.

I urge my colleagues to support the manager's amendment.

By creating the Reserve Fund, we have walled-off PTO funds from diversion. All the excess fees are collected and deposited into the Fund and are made available in Appropriations Acts and cannot be "diverted" to other non-PTO purposes.

PTO funding would still be provided in Appropriations Acts, but the language carried in those Acts will appropriate excess fee collections and provide a clear and easy mechanism for PTO to request access to those funds.

By giving USPTO access to all its funds, the Manager's Amendment supports the USPTO's efforts to improve patent quality and reduce the backlog of patent applications. To carry out the new mandates of the legislation and reduce delays in the patent application process, the USPTO must be able to use all the fees it collects.

The language in the Manager's Amendment reflects the intent of the Judiciary Committee, the Appropriations Committee and House leadership to end fee diversion. USPTO is 100% funded by fees paid by inventors and trademark filers who are entitled to receive the services they are paying for. The language makes clear the intention not only to appropriate to the USPTO at least the level requested for the fiscal year but also to appropriate to the USPTO any fees collected in excess of such appropriation.

Providing USPTO access to all fees collected means providing access at all points during that year, including in case of a continuing resolution. Access also means that reprogramming requests will be acted on within a reasonable time period and on a reasonable basis. It means that future appropriations will continue to use language that guarantees USPTO access to all of its fee collections.

Appropriations Chairman ROGERS is committed to this agreement and to ending fee diversion at the PTO, and I appreciate his efforts.

This provision represents a sea change of improvement over the current system and I urge all Members to strongly support this end to fee diversion at the PTO. This amendment, including the commitment from Chairman ROGERS to Leadership ensures that all the user fees that the PTO collects will be available to the PTO so that they can get to work to reduce patent pendency and the backlog, and issue strong patents.

Ms. ZOE LOFGREN of California. May I inquire how much time remains. The Acting CHAIR. The gentlewoman from California has 15 seconds remaining.

Ms. ZOE LOFGREN of California. Well, I will use those 15 seconds, Madam Chair, by saying just a few things. First, the litigation reform mentioned is really to retroactively undo a case that was fairly and squarely won in the courts.

Number two, that section 18 is basically just a giveaway to the banks. There's some good things in this bill. The post-grant review, overall it does more harm than good.

I yield back the balance of my time. Mr. SMITH of Texas. I yield myself the balance of the time.

Madam Chair, in closing, I want to thank the patent principles who devoted so much time, energy and intellect to this project. We've worked together for the common goal of comprehensive patent reform for the better part of 6 years.

While some of us still have differences over individual items, I want these Members to know that I appreciate their contributions to the project. This includes, among many others, Mr. GOODLATTE, Mr. WATT, Mr. ISSA, and Mr. BERMAN.

In the Senate we've worked closely with Senators LEAHY, GRASSLEY, KYL, HATCH and others; and I want to thank them as well.

Also, we would not be at this point tonight without the support of Commerce Secretary Locke and PTO Director Kappos.

Our country needs this bill. We can't thrive in the 21st century using a 20th-century patent system. At a time when the economy remains fragile and unemployment is unacceptably high, we must include the patent system and the PTO, an agency that has been called an essential driver of a pro-growth job-creating agenda.

This bill will catapult us into a new era of innovation and enhanced consumer choice. I urge my colleagues to support H.R. 1249.

Mrs. CHRISTENSEN. Madam Chair, I rise today to express my strong support for H.R. 1249—a smart bill that fixes an anomaly in the patent law by addressing the confusion around the deadline for filing patent term extensions. This bill—which has broad bipartisan support in both chambers—will ensure that if the FDA notifies a company after normal business hours that its drug has been approved, then the time that the company has to file a patent term extension application does not begin to run until the next business day.

I support this bill not only because it protects the rights of patent holders, but also because it will help inspire greater investments in the development of new drugs that not only could save millions of lives, but also could play a pivotal role in reducing racial and ethnic health disparities. Take, for example, a blood thinning drug that was proven very effective in treating and preventing stroke—the third leading cause of death in the nation, and a cause of death from which African American men are 52% more likely to die than white men, and African American women are 36% more likely to die than white women.

But for an unintentional one-day filing delay, the developer of this drug would have been entitled to secure a patent term restoration. And, with that term restoration, the company would have been positioned to invest the additional resources to qualify the drug for the treatment and prevention of stroke and for expanded use in heart surgeries. This medical advancement would undoubtedly have saved countless lives and improved the health and wellbeing of tens of thousands of Americans.

Absent the correction provided by this bill, however, none of what could have—and should have—happened ever did happen, and, as a result, a great medical advancement never came to fruition. This bill would ensure that the situation that occurred with the promising blood thinning drug does not happen

again. And, this bill fixes an anomaly that not only jeopardizes the development of life-saving drugs, but also jeopardizes the health and wellness of innocent, hardworking Americans. I urge all of my colleagues to be a key part of the solution to this problem by supporting this bill.

Ms. PELOSI. Madam Chair, I rise in opposition to this patent reform bill, misnamed the America Invents Act.

It had been our hope that we would be voting on a patent bill that encourages entrepreneurship, protects intellectual property rights, and sends a message abroad that strengthens patent rights at home. The bill before us fails on all these scores.

Instead, by favoring large international companies, we have before us a missed opportunity to encourage entrepreneurship. It is a missed opportunity to strengthen intellectual property rights here at home.

For these and other reasons, I urge my colleagues to vote no on the Manager's amendment, yes on the Boren-Sensenbrenner-Waters-Schock amendment, and no on the final passage of this disappointing bill. Let's go back to the drawing board for a real bill to keep America number one.

Ms. WASSERMAN SCHULTZ. Madam Chair, today I rise in support of H.R. 1249, the America Invents Act.

This vital reform to our nation's patent system would help spur innovation, foster competition, and create and support American jobs.

Democrats in Congress have urged our colleagues across the aisle to bring legislation to the Floor and today we have an opportunity to support legislation to create jobs and support our recovering economy.

That is why this legislation is a priority of the Obama Administration—the bill represents a significant step in the right direction toward American job growth and is crucial to winning the future through innovation.

I urge my colleagues to support this bill's benefits for American inventors, manufacturers, and jobs.

I also urge my colleagues to support this bill because it includes a provision that will help engender much-needed patient protection and choice for patients undergoing genetic diagnostic tests.

As many, of you know, several years ago, I was diagnosed with breast cancer.

Through genetic testing, I discovered that I am a carrier of the BRCA-2 gene mutation, which drastically increased my lifetime risk of ovarian cancer and recurring breast cancer.

As a result, I made the life-altering decision to have seven major surgeries—a double mastectomy and an oophorectomy—from a single administration of a single test.

You see, there is only one test on the market for this mutation.

The maker of this test not only has a patent on the gene itself; they also have an exclusive license for limited laboratories to administer the test.

Like genetic tests for colon cancer, Parkinson's disease, Alzheimer's disease, stroke, and many other genetic disorders, there is no way to get a truly independent second opinion.

In approximately 20 percent of all genetic tests, only one laboratory can perform the test due to patent exclusivity for the diagnostic testing, and often the actual human gene being tested.

Just imagine: Your genes hold the key to your survival; having major, body-altering surgery or treatment could save you life; but the test results fail to give you certainty.

The America Invents Act begins to address this problem.

A provision in the Manager's amendment simply directs a study by the U.S. Patent and Trademark Office on ways to remove barriers for patient access to second opinions on genetic testing on patented genes.

Such a study would address questions about the current effects such patents have on patient outcomes and how best to provide truly independent, confirmatory tests.

Given ongoing court cases on the issue of gene patents, let me be clear: the study's focus on second opinion genetic testing is not intended to express any opinion by Congress regarding the validity of gene patents.

By allowing clinical laboratories to confirm the presence or absence of a gene mutation found in a diagnostic test, we can help Americans access the second opinions they truly deserve.

I know first-hand the stress of wanting a second opinion—but being unable to get it.

With so much at stake, it is incredibly important that we give everyone in this situation as much certainty as we possibly can.

We owe that much to those whose lives are in the balance.

Mr. GALLEGLY. Madam Chair, I rise in support of this amendment.

Development of new prescription drug therapies is critically important if we are to successfully treat—or even cure—diseases such as cancer, ALS and juvenile diabetes.

The problem is that medical research is expensive. A researcher can spend years trying various drug combinations before developing one that may be approved for testing in humans, and it can take even more years after that to get final Food and Drug Administration, FDA approval. If patent protection expires soon after the drug is approved, companies may not be able to recover their investment, which would lead to less research and development.

Congress recognized this problem when it passed the Hatch-Waxman Act in 1984. Hatch-Waxman provides for extended patent protection if the company applies within 60 days after the FDA approves a new drug.

Unfortunately, the FDA and the Patent and Trademark Office have different interpretations of when the company must file the application. The resulting confusion and uncertainty may be discouraging people from investing in life-saving medical research.

This amendment simply clarifies when the 60-day period begins. This is completely budget neutral and does not make any substantive change to the law.

I urge my colleagues to support this common sense amendment.

Mr. GALLEGLY. Madam Chair, I rise in strong support of this bill. First, I would like to recognize Chairman SMITH's extraordinary work on behalf of American inventors. This bill is a well-crafted compromise that will streamline the patent process, while improving the quality of patents.

Although I do not support every single provision of this legislation, it is critical that the House of Representatives pass H.R. 1249.

I am especially pleased that Chairman SMITH included a provision that helps many

businesses in the United States, including several in my district, who have been forced to spend time and money to defend themselves against so-called "false marking" lawsuits.

By law, patent holders are required to place the patent number on their products. The problem is that after the patent expires, it may be very costly for a business to recall their products to change the label. Unfortunately, several law firms have discovered that suing these manufacturers can be lucrative, and we have seen a sharp increase in the number of these nuisance lawsuits.

This bill includes a common sense solution that will stop these lawsuits and allow employers to devote resources to developing new products and creating jobs.

I urge my colleagues to support this important legislation.

Mr. SMITH of Texas. Madam Chair, I yield back the balance of my time.

The Acting CHAIR. All time for general debate has expired.

Pursuant to the rule, the amendment in the nature of a substitute printed in the bill shall be considered as an original bill for the purpose of amendment under the 5-minute rule and shall be considered read.

The text of the amendment in the nature of a substitute is as follows:

H.R. 1249

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

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

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

- Sec. 1. Short title; table of contents.
- Sec. 2. Definitions.
- Sec. 3. First inventor to file.
- Sec. 4. Inventor's oath or declaration.
- Sec. 5. Defense to infringement based on earlier inventor.
- Sec. 6. Post-grant review proceedings.
- Sec. 7. Patent Trial and Appeal Board.
- Sec. 8. Preissuance submissions by third parties.
- Sec. 9. Venue.
- Sec. 10. Fee setting authority.
- Sec. 11. Fees for patent services.
- Sec. 12. Supplemental examination.
- Sec. 13. Funding agreements.
- Sec. 14. Tax strategies deemed within the prior art.
- Sec. 15. Best mode requirement.
- Sec. 16. Marking.
- Sec. 17. Advice of counsel.
- Sec. 18. Transitional program for covered business method patents.
- Sec. 19. Jurisdiction and procedural matters.
- Sec. 20. Technical amendments.
- Sec. 21. Travel expenses and payment of administrative judges.
- Sec. 22. Patent and Trademark Office funding.
- Sec. 23. Satellite offices.
- Sec. 24. Designation of Detroit satellite office.
- Sec. 25. Patent Ombudsman Program for small business concerns.
- Sec. 26. Priority examination for technologies important to American competitiveness.
- Sec. 27. Calculation of 60-day period for application of patent term extension.
- Sec. 28. Study on implementation.
- Sec. 29. Pro bono program.
- Sec. 30. Effective date.
- Sec. 31. Budgetary effects.

SEC. 2. DEFINITIONS.

In this Act:

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

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

(3) PATENT PUBLIC ADVISORY COMMITTEE.—The term “Patent Public Advisory Committee” means the Patent Public Advisory Committee established under section 5(a)(1) of title 35, United States Code.

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

(5) TRADEMARK PUBLIC ADVISORY COMMITTEE.—The term “Trademark Public Advisory Committee” means the Trademark Public Advisory Committee established under section 5(a)(1) of title 35, United States Code.

SEC. 3. FIRST INVENTOR TO FILE.

(a) DEFINITIONS.—Section 100 of title 35, United States Code, is amended—

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

(2) 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 ‘co-inventor’ mean any 1 of the individuals who invented or discovered the subject matter of a joint invention.

“(h) The term ‘joint research agreement’ means a written contract, grant, or cooperative agreement entered into by 2 or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.

“(i)(1) The term ‘effective filing date’ for a claimed invention in a patent or application for patent means—

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

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

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

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

(b) CONDITIONS FOR PATENTABILITY.—

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

“§ 102. Conditions for patentability; novelty

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

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

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

“(b) EXCEPTIONS.—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) CONTINUITY OF INTENT UNDER THE CREATE ACT.—The enactment of section 102(c) of title 35, United States Code, under paragraph (1) of this subsection is done with the same intent to promote joint research activities that was expressed, including in the legislative history, through the enactment of the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108-453; the “CREATE Act”), the amendments of which are stricken by subsection (c) of this section. The United States Patent and Trademark Office shall administer section 102(c) of title 35, United States Code, in a manner consistent with the legislative history of the CREATE Act that was relevant to its administration by the United States Patent and Trademark Office.

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

“102. Conditions for patentability; novelty.”.

(c) CONDITIONS FOR PATENTABILITY; NON-OBVIOUS SUBJECT MATTER.—Section 103 of title 35, United States Code, is amended to read as follows:

“§ 103. Conditions for patentability; non-obvious subject matter

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

(d) REPEAL OF REQUIREMENTS FOR INVENTIONS MADE ABROAD.—Section 104 of title 35, United States Code, and the item relating to that section in the table of sections for chapter 10 of title 35, United States Code, are repealed.

(e) REPEAL OF STATUTORY INVENTION REGISTRATION.—

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

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

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

(f) EARLIER FILING DATE FOR INVENTOR AND JOINT INVENTOR.—Section 120 of title 35, United States Code, is amended by striking “which is filed by an inventor or inventors named” and inserting “which names an inventor or joint inventor”.

(g) CONFORMING AMENDMENTS.—

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

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

(3) INTERNATIONAL APPLICATION DESIGNATING THE UNITED STATES: EFFECT.—Section 363 of title 35, United States Code, is amended by striking “except as otherwise provided in section 102(e) of this title”.

(4) PUBLICATION OF INTERNATIONAL APPLICATION: EFFECT.—Section 374 of title 35, United States Code, is amended by striking “sections 102(e) and 154(d)” and inserting “section 154(d)”.

(5) PATENT ISSUED ON INTERNATIONAL APPLICATION: EFFECT.—The second sentence of section 375(a) of title 35, United States Code, is amended by striking “Subject to section 102(e) of this title, such” and inserting “Such”.

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

(7) INVENTIONS MADE WITH FEDERAL ASSISTANCE.—Section 202(c) of title 35, United States Code, is amended—

(A) in paragraph (2)—

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

(ii) by striking “prior to the end of the statutory” and inserting “before the end of that 1-year”; and

(B) in paragraph (3), by striking “any statutory bar date that may occur under this title

due to publication, on sale, or public use” and inserting “the expiration of the 1-year period referred to in section 102(b)”.

(h) DERIVED PATENTS.—

(1) IN GENERAL.—Section 291 of title 35, United States Code, is amended to read as follows:

“§291. Derived Patents

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

“(b) FILING LIMITATION.—An action under this section may be filed only before the end of the 1-year period beginning on the date of the issuance of the first patent containing a claim to the allegedly derived invention and naming an individual alleged to have derived such invention as the inventor or joint inventor.”.

(2) CONFORMING AMENDMENT.—The item relating to section 291 in the table of sections for chapter 29 of title 35, United States Code, is amended to read as follows:

“291. Derived patents.”.

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

“§135. Derivation proceedings

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

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

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

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

constitute cancellation of those claims, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation.

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

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

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

(2)(A) Section 146 of title 35, United States Code, is amended—

(i) by striking “an interference” and inserting “a derivation proceeding”; and

(ii) by striking “the interference” and inserting “the derivation proceeding”.

(B) The subparagraph heading for section 154(b)(1)(C) of title 35, United States Code, is amended to read as follows:

“(C) GUARANTEE OF ADJUSTMENTS FOR DELAYS DUE TO DERIVATION PROCEEDINGS, SECRECY ORDERS, AND APPEALS.—”.

(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) 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.”.

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

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

(k) STATUTE OF LIMITATIONS.—

(1) IN GENERAL.—Section 32 of title 35, United States Code, is amended by inserting between the third and fourth sentences the following: “A proceeding under this section shall be commenced not later than the earlier of either the date that is 10 years after the date on which the misconduct forming the basis for the proceeding

occurred, or 1 year after the date on which the misconduct forming the basis for the proceeding is made known to an officer or employee of the Office as prescribed in the regulations established under section 2(b)(2)(D).”.

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

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

(l) SMALL BUSINESS STUDY.—

(1) DEFINITIONS.—In this subsection—

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

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

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

(2) STUDY.—

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

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

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

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

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

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

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

(m) REPORT ON PRIOR USER RIGHTS.—

(1) IN GENERAL.—Not later than the end of the 4-month period beginning on the date of the enactment of this Act, the Director shall report, to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives, the findings and recommendations of the Director on the operation of prior user rights in selected countries in the industrialized world. The report shall include the following:

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

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

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

(D) An analysis of the effect of prior user rights, if any, on small businesses, universities, and individual inventors.

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

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

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

(n) EFFECTIVE DATE.—

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

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

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

(2) INTERFERING PATENTS.—The provisions of sections 102(g), 135, and 291 of title 35, United States Code, as in effect on the day before the effective date set forth in paragraph (1) of this subsection, shall apply to each claim of an application for patent, and any patent issued thereon, for which the amendments made by this section also apply, if such application or patent contains or contained at any time—

(A) a claim to an invention having an effective filing date as defined in section 100(i) of title 35, United States Code, that occurs before the effective date set forth in paragraph (1) of this subsection; or

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

(o) STUDY OF PATENT LITIGATION.—

(1) GAO STUDY.—The Comptroller General of the United States shall conduct a study of the consequences of litigation by non-practicing entities, or by patent assertion entities, related to patent claims made under title 35, United States Code, and regulations authorized by that title.

(2) CONTENTS OF STUDY.—The study conducted under this subsection shall include the following:

(A) The annual volume of litigation described in paragraph (1) over the 20-year period ending on the date of the enactment of this Act.

(B) The volume of cases comprising such litigation that are found to be without merit after judicial review.

(C) The impacts of such litigation on the time required to resolve patent claims.

(D) The estimated costs, including the estimated cost of defense, associated with such litigation for patent holders, patent licensors, patent licensees, and inventors, and for users of alternate or competing innovations.

(E) The economic impact of such litigation on the economy of the United States, including the impact on inventors, job creation, employers, employees, and consumers.

(F) The benefit to commerce, if any, supplied by non-practicing entities or patent assertion entities that prosecute such litigation.

(3) REPORT TO CONGRESS.—The Comptroller General shall, not later than the date that is 1

year after the date of the enactment of this Act, 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 required under this subsection, including recommendations for any changes to laws and regulations that will minimize any negative impact of patent litigation that was the subject of such study.

(p) SENSE OF CONGRESS.—It is the sense of the Congress that converting the United States patent registration system from “first inventor to use” to a system of “first inventor to file” will promote the progress of science by securing for limited times to inventors the exclusive rights to their discoveries and provide inventors with greater certainty regarding the scope of protection granted by the exclusive rights to their discoveries.

(q) SENSE OF CONGRESS.—It is the sense of the Congress that converting the United States patent registration system from “first inventor to use” to a system of “first inventor to file” will harmonize the United States patent registration system with the patent registration systems commonly used in nearly all other countries throughout the world with whom the United States conducts trade and thereby promote a greater sense of international uniformity and certainty in the procedures used for securing the exclusive rights of inventors to their discoveries.

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

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

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

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

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

“(d) SUBSTITUTE STATEMENT.—

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

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

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

“(i) is deceased;

“(ii) is under legal incapacity; or

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

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

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

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

“(B) set forth the circumstances representing the permitted basis for the filing of the sub-

stitute statement in lieu of the oath or declaration under subsection (a); and

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

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

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

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

“(1) EXCEPTION.—The requirements under this section shall not apply to an individual with respect to an application for patent in which the individual is named as the inventor or a joint inventor and who claims the benefit under section 120, 121, or 365(c) of the filing of an earlier-filed application, if—

“(A) an oath or declaration meeting the requirements of subsection (a) was executed by the individual and was filed in connection with the earlier-filed application;

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

“(C) an assignment meeting the requirements of subsection (e) was executed with respect to the earlier-filed application by the individual and was recorded in connection with the earlier-filed application.

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

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

“(1) IN GENERAL.—Any person making a statement required under this section may withdraw, replace, or otherwise correct the statement at any time. If a change is made in the naming of the inventor requiring the filing of 1 or more additional statements under this section, the Director shall establish regulations under which such additional statements may be filed.

“(2) SUPPLEMENTAL STATEMENTS NOT REQUIRED.—If an individual has executed an oath or declaration meeting the requirements of subsection (a) or an assignment meeting the requirements of subsection (e) with respect to an application for patent, the Director may not thereafter require that individual to make any additional oath, declaration, or other statement equivalent to those required by this section in connection with the application for patent or any patent issuing thereon.

“(3) SAVINGS CLAUSE.—A patent shall not be invalid or unenforceable based upon the failure to comply with a requirement under this section if the failure is remedied as provided under paragraph (1).

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

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

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

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

(B) in the heading for paragraph (3), by inserting “OR DECLARATION” after “AND OATH”; and

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

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

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

(b) FILING BY OTHER THAN INVENTOR.—

(1) IN GENERAL.—Section 118 of title 35, United States Code, is amended to read as follows:

“§ 118. Filing by other than inventor

“A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent. A person who otherwise shows sufficient proprietary interest in the matter may make an application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is appropriate to preserve the rights of the parties. If the Director grants a patent on an application filed under this section by a person other than the inventor, the patent shall be granted to the real party in interest and upon such notice to the inventor as the Director considers to be sufficient.”.

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

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

(1) in the first undesignated paragraph—

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

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

(2) in the second undesignated paragraph—

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

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

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

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

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

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

(d) CONFORMING AMENDMENTS.—

(1) Sections 111(b)(1)(A) of title 35, United States Code, is amended by striking “the first paragraph of section 112 of this title” and inserting “section 112(a)”.

(2) Section 111(b)(2) of title 35, United States Code, is amended by striking “the second through fifth paragraphs of section 112,” and inserting “subsections (b) through (e) of section 112.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent application that is filed on or after that effective date.

SEC. 5. DEFENSE TO INFRINGEMENT BASED ON EARLIER INVENTOR.

Section 273 of title 35, United States Code, is amended as follows:

(1) Subsection (a) is amended—

(A) in paragraph (1)—

(i) by striking “use of a method in” and inserting “use of the subject matter of a patent in”; and

(ii) by adding “and” after the semicolon;

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

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

(2) Subsection (b) is amended—

(A) in paragraph (1)—

(i) by striking “for a method”; and

(ii) by striking “at least 1 year” and all that follows through the end and inserting “and commercially used the subject matter at least 1 year before the effective filing date of the claimed invention that is the subject matter of the patent.”;

(B) in paragraph (2), by striking “patented method” and inserting “patented process”;

(C) in paragraph (3)—

(i) by striking subparagraph (A);

(ii) by striking subparagraph (B) and inserting the following:

“(A) DERIVATION AND PRIOR DISCLOSURE TO THE PUBLIC.—A person may not assert the defense under this section if—

“(i) the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee; or

“(ii) the claimed invention that is the subject of the defense was disclosed to the public in a manner that qualified for the exception from the prior art under section 102(b) and the commercialization date relied upon under paragraph (1) of this subsection for establishing entitlement to the defense is less than 1 year before the date of such disclosure to the public;”;

(iii) by redesignating subparagraph (C) as subparagraph (B); and

(iv) by adding at the end the following:

“(C) FUNDING.—

“(i) DEFENSE NOT AVAILABLE IN CERTAIN CASES.—A person may not assert the defense under this section if the subject matter of the patent on which the defense is based was developed pursuant to a funding agreement under chapter 18 or by a nonprofit institution of higher education, or a technology transfer organization affiliated with such an institution, that did not receive funding from a private business enterprise in support of that development.

“(ii) DEFINITIONS.—In this subparagraph—

“(I) the term ‘institution of higher education’ has the meaning given that term in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)); and

“(II) the term ‘technology transfer organization’ means an organization the primary purpose of which is to facilitate the commercialization of technologies developed by one or more institutions of higher education.”; and

(D) by amending paragraph (6) to read as follows:

“(6) PERSONAL DEFENSE.—

“(A) IN GENERAL.—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.

“(B) EXCEPTION.—Notwithstanding subparagraph (A), any person may, on the person’s own behalf, assert a defense based on the exhaustion of rights provided under paragraph (2), including any necessary elements thereof.”.

SEC. 6. POST-GRANT REVIEW PROCEEDINGS.

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

“CHAPTER 31—INTER PARTES REVIEW

“Sec.

“311. Inter partes review.

“312. Petitions.

“313. Preliminary response to petition.

“314. Institution of inter partes review.

“315. Relation to other proceedings or actions.

“316. Conduct of inter partes review.

“317. Settlement.

“318. Decision of the Board.

“319. Appeal.

“§ 311. Inter partes review

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

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

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

“(1) the date that is 1 year after the grant of a patent or issuance of a reissue of a patent; or

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

“§ 312. Petitions

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

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

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

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

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

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

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

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

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

“§ 313. Preliminary response to petition

“If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

“§ 314. Institution of inter partes review

“(a) THRESHOLD.—The Director may not authorize an inter partes review to commence unless the Director determines that the information

presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

“(b) **TIMING.**—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

“(1) receiving a preliminary response to the petition under section 313; or

“(2) if no such preliminary response is filed, the last date on which such response may be filed.

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

“(d) **NO APPEAL.**—The determination by the Director whether to institute an inter partes review under this section shall be final and non-appealable.

“§315. Relation to other proceedings or actions

“(a) **INFRINGEMENT’S CIVIL ACTION.**—

“(1) **INTER PARTES REVIEW BARRED BY CIVIL ACTION.**—An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner, real party in interest, or privy of the petitioner filed a civil action challenging the validity of a claim of the patent.

“(2) **STAY OF CIVIL ACTION.**—If the petitioner, real party in interest, or privy of the petitioner files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

“(A) the patent owner moves the court to lift the stay;

“(B) the patent owner files a civil action or counterclaim alleging that the petitioner, real party in interest, or privy of the petitioner has infringed the patent; or

“(C) the petitioner, real party in interest, or privy of the petitioner moves the court to dismiss the civil action.

“(3) **TREATMENT OF COUNTERCLAIM.**—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

“(b) **PATENT OWNER’S ACTION.**—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

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

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

“(e) **ESTOPPEL.**—

“(1) **PROCEEDINGS BEFORE THE OFFICE.**—The petitioner in an inter partes review of a claim in

a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

“(2) **CIVIL ACTIONS AND OTHER PROCEEDINGS.**—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

“§316. Conduct of inter partes review

“(a) **REGULATIONS.**—The Director shall prescribe regulations—

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

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

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

“(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

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

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

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

“(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

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

“(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

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

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

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

“(12) setting a time period for requesting joinder under section 315(c); and

“(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

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

“(c) **PATENT TRIAL AND APPEAL BOARD.**—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

“(d) **AMENDMENT OF THE PATENT.**—

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

“(A) Cancel any challenged patent claim.

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

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

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

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

“§317. Settlement

“(a) **IN GENERAL.**—An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner’s institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

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

“§318. Decision of the Board

“(a) **FINAL WRITTEN DECISION.**—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

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

“(c) AMENDED OR NEW CLAIM.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).”

“(d) DATA ON LENGTH OF REVIEW.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.”

“§319. Appeal

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

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

“31. Inter Partes Review 311”.

(c) REGULATIONS AND EFFECTIVE DATE.—

(1) REGULATIONS.—The Director shall, not later than the date that is 1 year after the date of the enactment of this Act, issue regulations to carry out chapter 31 of title 35, United States Code, as amended by subsection (a) of this section.

(2) APPLICABILITY.—

(A) IN GENERAL.—The amendments made by subsection (a) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent issued before, on, or after that effective date.

(B) GRADUATED IMPLEMENTATION.—The Director may impose a limit on the number of inter partes reviews that may be instituted under chapter 31 of title 35, United States Code, during each of the first 4 1-year periods in which the amendments made by subsection (a) are in effect, if such number in each year equals or exceeds the number of inter partes reexaminations that are ordered under chapter 31 of title 35, United States Code, in the last fiscal year ending before the effective date of the amendments made by subsection (a).

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

“CHAPTER 32—POST-GRANT REVIEW

“Sec.

“321. Post-grant review.

“322. Petitions.

“323. Preliminary response to petition.

“324. Institution of post-grant review.

“325. Relation to other proceedings or actions.

“326. Conduct of post-grant review.

“327. Settlement.

“328. Decision of the Board.

“329. Appeal.

“§321. Post-grant review

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

“(b) SCOPE.—A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).

“(c) FILING DEADLINE.—A petition for a post-grant review may only be filed not later than the date that is 1 year after the date of the grant of the patent or of the issuance of a re-issue patent (as the case may be).

“§322. Petitions

“(a) REQUIREMENTS OF PETITION.—A petition filed under section 321 may be considered only if—

“(1) the petition is accompanied by payment of the fee established by the Director under section 321;

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

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

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

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

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

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

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

“§323. Preliminary response to petition

“If a post-grant review petition is filed under section 321, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no post-grant review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

“§324. Institution of post-grant review

“(a) THRESHOLD.—The Director may not authorize a post-grant review to commence unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.

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

“(c) TIMING.—The Director shall determine whether to institute a post-grant review under this chapter pursuant to a petition filed under section 321 within 3 months after—

“(1) receiving a preliminary response to the petition under section 323; or

“(2) if no such preliminary response is filed, the last date on which such response may be filed.

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

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

“§325. Relation to other proceedings or actions

“(a) INFRINGER’S CIVIL ACTION.—

“(1) POST-GRANT REVIEW BARRED BY CIVIL ACTION.—A post-grant review may not be instituted under this chapter if, before the date on which the petition for such a review is filed, the petitioner, real party in interest, or privy of the petitioner filed a civil action challenging the validity of a claim of the patent.

“(2) STAY OF CIVIL ACTION.—If the petitioner, real party in interest, or privy of the petitioner files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for post-grant review of the patent, that civil action shall be automatically stayed until either—

“(A) the patent owner moves the court to lift the stay;

“(B) the patent owner files a civil action or counterclaim alleging that the petitioner, real party in interest, or privy of the petitioner has infringed the patent; or

“(C) the petitioner, real party in interest, or privy of the petitioner moves the court to dismiss the civil action.

“(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

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

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

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

“(e) ESTOPPEL.—

“(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that post-grant review.

“(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that post-grant review.

“(f) REISSUE PATENTS.—A post-grant review may not be instituted under this chapter if the petition requests cancellation of a claim in a re-issue patent that is identical to or narrower

than a claim in the original patent from which the reissue patent was issued, and the time limitations in section 321(c) would bar filing a petition for a post-grant review for such original patent.

“§326. Conduct of post-grant review

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

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

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

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

“(4) establishing and governing a post-grant review under this chapter and the relationship of such review to other proceedings under this title;

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

“(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

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

“(8) providing for the filing by the patent owner of a response to the petition under section 323 after a post-grant review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

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

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

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

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

“(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each post-grant review instituted under this chapter.

“(d) AMENDMENT OF THE PATENT.—

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

“(A) Cancel any challenged patent claim.

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

“(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the joint

request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 327, or upon the request of the patent owner for good cause shown.

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

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

“§327. Settlement

“(a) IN GENERAL.—A post-grant review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the post-grant review is terminated with respect to a petitioner under this section, no estoppel under section 325(e) shall attach to the petitioner, or to the real party in interest or privity of the petitioner, on the basis of that petitioner's institution of that post-grant review. If no petitioner remains in the post-grant review, the Office may terminate the post-grant review or proceed to a final written decision under section 328(a).

“(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of a post-grant review under this section shall be in writing, and a true copy of such agreement or understanding shall be filed in the Office before the termination of the post-grant review as between the parties. 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, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

“§328. Decision of the Board

“(a) FINAL WRITTEN DECISION.—If a post-grant review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 326(d).

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

“(c) AMENDED OR NEW CLAIM.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following a post-grant review under this chapter shall have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

“(d) DATA ON LENGTH OF REVIEW.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each post-grant review.

“§329. Appeal

“A party dissatisfied with the final written decision of the Patent Trial and Appeal Board

under section 328(a) may appeal the decision pursuant to sections 141 through 144. Any party to the post-grant review shall have the right to be a party to the appeal.”

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

“32. Post-Grant Review 321”.

(f) REGULATIONS AND EFFECTIVE DATE.—

(1) REGULATIONS.—The Director shall, not later than the date that is 1 year after the date of the enactment of this Act, issue regulations to carry out chapter 32 of title 35, United States Code, as added by subsection (d) of this section.

(2) APPLICABILITY.—

(A) IN GENERAL.—The amendments made by subsection (d) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and, except as provided in section 18 and in paragraph (3), shall apply to any patent that is described in section 3(n)(1).

(B) LIMITATION.—The Director may impose a limit on the number of post-grant reviews that may be instituted under chapter 32 of title 35, United States Code, during each of the first 4 1-year periods in which the amendments made by subsection (d) are in effect.

(3) PENDING INTERFERENCES.—

(A) PROCEDURES IN GENERAL.—The Director shall determine, and include in the regulations issued under paragraph (1), the procedures under which an interference commenced before the effective date set forth in paragraph (2)(A) is to proceed, including whether such interference—

(i) is to be dismissed without prejudice to the filing of a petition for a post-grant review under chapter 32 of title 35, United States Code; or

(ii) is to proceed as if this Act had not been enacted.

(B) PROCEEDINGS BY PATENT TRIAL AND APPEAL BOARD.—For purposes of an interference that is commenced before the effective date set forth in paragraph (2)(A), the Director may deem the Patent Trial and Appeal Board to be the Board of Patent Appeals and Interferences, and may allow the Patent Trial and Appeal Board to conduct any further proceedings in that interference.

(C) APPEALS.—The authorization to appeal or have remedy from derivation proceedings in sections 141(d) and 146 of title 35, United States Code, as amended by this Act, and the jurisdiction to entertain appeals from derivation proceedings in section 1295(a)(4)(A) of title 28, United States Code, as amended by this Act, shall be deemed to extend to any final decision in an interference that is commenced before the effective date set forth in paragraph (2)(A) of this subsection and that is not dismissed pursuant to this paragraph.

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

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

“§301. Citation of prior art and written statements

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

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

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

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

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

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

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

(2) **CONFORMING AMENDMENT.**—The item relating to section 301 in the table of sections for chapter 30 of title 35, United States Code, is amended to read as follows:

“301. Citation of prior art and written statements.”.

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent issued before, on, or after that effective date.

(h) **REEXAMINATION.**—

(1) **DETERMINATION BY DIRECTOR.**—

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

(B) **EFFECTIVE DATE.**—The amendment made by this paragraph shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent issued before, on, or after that effective date.

(2) **APPEAL.**—

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

(B) **EFFECTIVE DATE.**—The amendment made by this paragraph shall take effect upon the date of the enactment of this Act and shall apply to any appeal of a reexamination before the Board of Patent Appeals and Interferences or the Patent Trial and Appeal Board that is pending on, or brought on or after, the date of the enactment of this Act.

SEC. 7. PATENT TRIAL AND APPEAL BOARD.

(a) **COMPOSITION AND DUTIES.**—

(1) **IN GENERAL.**—Section 6 of title 35, United States Code, is amended to read as follows:

“§6. Patent Trial and Appeal Board

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

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

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

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

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

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

“(c) **3-MEMBER PANELS.**—Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. Only the Patent Trial and Appeal Board may grant rehearings.

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

(2) **CONFORMING AMENDMENT.**—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.”.

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

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

(2) by striking subsection (c).

(c) **CIRCUIT APPEALS.**—

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

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

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

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

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

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

(2) **JURISDICTION.**—Section 1295(a)(4)(A) of title 28, United States Code, is amended to read as follows:

“(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to a patent application, derivation proceeding, reexamination, post-grant review, or

inter partes review under title 35, at the instance of a party who exercised that party’s right to participate in the applicable proceeding before or appeal to the Board, except that an applicant or a party to a derivation proceeding may also have remedy by civil action pursuant to section 145 or 146 of title 35; an appeal under this subparagraph of a decision of the Board with respect to an application or derivation proceeding shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;”.

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

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

(B) by striking the last sentence.

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

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

(2) the provisions of sections 6, 134, and 141 of title 35, United States Code, as in effect on the day before the effective date of the amendments made by this section shall continue to apply to inter partes reexaminations that are requested under section 311 of such title before such effective date;

(3) the Patent Trial and Appeal Board may be deemed to be the Board of Patent Appeals and Interferences for purposes of appeals of inter partes reexaminations that are requested under section 311 of title 35, United States Code, before the effective date of the amendments made by this section; and

(4) the Director’s right under the fourth sentence of section 143 of title 35, United States Code, as amended by subsection (c)(3) of this section, to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board shall be deemed to extend to inter partes reexaminations that are requested under section 311 of such title before the effective date of the amendments made by this section.

SEC. 8. PREISSUANCE SUBMISSIONS BY THIRD PARTIES.

(a) **IN GENERAL.**—Section 122 of title 35, United States Code, is amended by adding at the end the following:

“(e) **PREISSUANCE SUBMISSIONS BY THIRD PARTIES.**—

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

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

“(B) the later of—

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

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

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

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

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

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

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

SEC. 9. VENUE.

(a) TECHNICAL AMENDMENTS RELATING TO VENUE.—Sections 32, 145, 146, 154(b)(4)(A), and 293 of title 35, United States Code, and section 21(b)(4) of the Trademark Act of 1946 (15 U.S.C. 1071(b)(4)), are each amended by striking “United States District Court for the District of Columbia” each place that term appears and inserting “United States District Court for the Eastern District of Virginia”.

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

SEC. 10. FEE SETTING AUTHORITY.

(a) FEE SETTING.—

(1) IN GENERAL.—The Director may set or adjust by rule any fee established, authorized, or charged under title 35, United States Code, or the Trademark Act of 1946 (15 U.S.C. 1051 et seq.), for any services performed by or materials furnished by, the Office, subject to paragraph (2).

(2) FEES TO RECOVER COSTS.—Fees may be set or adjusted under paragraph (1) only to recover the aggregate estimated costs to the Office for processing, activities, services, and materials relating to patents (in the case of patent fees) and trademarks (in the case of trademark fees), including administrative costs of the Office with respect to such patent or trademark fees (as the case may be).

(b) SMALL AND MICRO ENTITIES.—The fees set or adjusted under subsection (a) for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents shall be reduced by 50 percent with respect to the application of such fees to any small entity that qualifies for reduced fees under section 41(h)(1) of title 35, United States Code, and shall be reduced by 75 percent with respect to the application of such fees to any micro entity as defined in section 123 of that title (as added by subsection (g) of this section).

(c) REDUCTION OF FEES IN CERTAIN FISCAL YEARS.—In each fiscal year, the Director—

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

(2) after the consultation required under paragraph (1), may reduce such fees.

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

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

(2)(A) provide the relevant advisory committee described in paragraph (1) a 30-day period following the submission of any proposed fee, in which to deliberate, consider, and comment on such proposal;

(B) require that, during that 30-day period, the relevant advisory committee hold a public hearing relating to such proposal; and

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

(3) require the relevant advisory committee to make available to the public a written report setting forth in detail the comments, advice, and recommendations of the committee regarding the proposed fee; and

(4) consider and analyze any comments, advice, or recommendations received from the relevant advisory committee before setting or adjusting (as the case may be) the fee.

(e) PUBLICATION IN THE FEDERAL REGISTER.—

(1) PUBLICATION AND RATIONALE.—The Director shall—

(A) publish any proposed fee change under this section in the Federal Register;

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

(C) notify, through the Chair and Ranking Member of the Committees on the Judiciary of the Senate and the House of Representatives, the Congress of the proposed change not later than the date on which the proposed change is published under subparagraph (A).

(2) PUBLIC COMMENT PERIOD.—The Director shall, in the publication under paragraph (1), provide the public a period of not less than 45 days in which to submit comments on the proposed change in fees.

(3) PUBLICATION OF FINAL RULE.—The final rule setting or adjusting a fee under this section shall be published in the Federal Register and in the Official Gazette of the Patent and Trademark Office.

(4) CONGRESSIONAL COMMENT PERIOD.—A fee set or adjusted under subsection (a) may not become effective—

(A) before the end of the 45-day period beginning on the day after the date on which the Director publishes the final rule adjusting or setting the fee under paragraph (3); or

(B) if a law is enacted disapproving such fee.

(5) RULE OF CONSTRUCTION.—Rules prescribed under this section shall not diminish—

(A) the rights of an applicant for a patent under title 35, United States Code, or for a mark under the Trademark Act of 1946; or

(B) any rights under a ratified treaty.

(f) RETENTION OF AUTHORITY.—The Director retains the authority under subsection (a) to set or adjust fees only during such period as the Patent and Trademark Office remains an agency within the Department of Commerce.

(g) MICRO ENTITY DEFINED.—

(1) IN GENERAL.—Chapter 11 of title 35, United States Code, is amended by adding at the end the following new section:

“§ 123. Micro entity defined

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

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

“(2) has not been named as an inventor on more than 4 previously filed patent applications, other than applications filed in another country, provisional applications under section 111(b), or international applications filed under the treaty defined in section 351(a) for which the basic national fee under section 41(a) was not paid;

“(3) did not, in the calendar year preceding the calendar year in which the examination fee for the application is being paid, have a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986, exceeding 3 times the median household income for that preceding calendar year, as reported by the Bureau of the Census; and

“(4) has not assigned, granted, or conveyed, and is not under an obligation by contract or law to assign, grant, or convey, a license or

other ownership interest in the application concerned to an entity that, in the calendar year preceding the calendar year in which the examination fee for the application is being paid, had a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986, exceeding 3 times the median household income for that preceding calendar year, as reported by the Bureau of the Census.

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

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

“(d) PUBLIC INSTITUTIONS OF HIGHER EDUCATION.—

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

“(A) the applicant’s employer, from which the applicant obtains the majority of the applicant’s income, is an institution of higher education, as defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001), that is a public institution; or

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

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

(2) CONFORMING AMENDMENT.—Chapter 11 of title 35, United States Code, is amended by adding at the end the following new item:

“123. Micro entity defined.”.

(h) ELECTRONIC FILING INCENTIVE.—

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

(2) EFFECTIVE DATE.—This subsection shall take effect upon the expiration of the 60-day period beginning on the date of the enactment of this Act.

(i) EFFECTIVE DATE; SUNSET.—

(1) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) SUNSET.—The authority of the Director to set or adjust any fee under subsection (a) shall terminate upon the expiration of the 6-year period beginning on the date of the enactment of this Act.

SEC. 11. FEES FOR PATENT SERVICES.

(a) GENERAL PATENT SERVICES.—Subsections (a) and (b) of section 41 of title 35, United States Code, are amended to read as follows:

“(a) GENERAL FEES.—The Director shall charge the following fees:

“(1) FILING AND BASIC NATIONAL FEES.—

“(A) On filing each application for an original patent, except for design, plant, or provisional applications, \$330.

“(B) On filing each application for an original design patent, \$220.

“(C) On filing each application for an original plant patent, \$220.

“(D) On filing each provisional application for an original patent, \$220.

“(E) On filing each application for the reissue of a patent, \$330.

“(F) The basic national fee for each international application filed under the treaty defined in section 351(a) entering the national stage under section 371, \$330.

“(G) In addition, excluding any sequence listing or computer program listing filed in an electronic medium as prescribed by the Director, for any application the specification and drawings of which exceed 100 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium), \$270 for each additional 50 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium) or fraction thereof.

“(2) EXCESS CLAIMS FEES.—

“(A) IN GENERAL.—In addition to the fee specified in paragraph (1)—

“(i) on filing or on presentation at any other time, \$220 for each claim in independent form in excess of 3;

“(ii) on filing or on presentation at any other time, \$52 for each claim (whether dependent or independent) in excess of 20; and

“(iii) for each application containing a multiple dependent claim, \$390.

“(B) MULTIPLE DEPENDENT CLAIMS.—For the purpose of computing fees under subparagraph (A), a multiple dependent claim referred to in section 112 or any claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made.

“(C) REFUNDS; ERRORS IN PAYMENT.—The Director may by regulation provide for a refund of any part of the fee specified in subparagraph (A) for any claim that is canceled before an examination on the merits, as prescribed by the Director, has been made of the application under section 131. Errors in payment of the additional fees under this paragraph may be rectified in accordance with regulations prescribed by the Director.

“(3) EXAMINATION FEES.—

“(A) IN GENERAL.—

“(i) For examination of each application for an original patent, except for design, plant, provisional, or international applications, \$220.

“(ii) For examination of each application for an original design patent, \$140.

“(iii) For examination of each application for an original plant patent, \$170.

“(iv) For examination of the national stage of each international application, \$220.

“(v) For examination of each application for the reissue of a patent, \$650.

“(B) APPLICABILITY OF OTHER FEE PROVISIONS.—The provisions of paragraphs (3) and (4) of section 111(a) relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in subparagraph (A) with respect to an application filed under section 111(a). The provisions of section 371(d) relating to the payment of the national fee shall apply to the payment of the fee specified in subparagraph (A) with respect to an international application.

“(4) ISSUE FEES.—

“(A) For issuing each original patent, except for design or plant patents, \$1,510.

“(B) For issuing each original design patent, \$860.

“(C) For issuing each original plant patent, \$1,190.

“(D) For issuing each reissue patent, \$1,510.

“(5) DISCLAIMER FEE.—On filing each disclaimer, \$140.

“(6) APPEAL FEES.—

“(A) On filing an appeal from the examiner to the Patent Trial and Appeal Board, \$540.

“(B) In addition, on filing a brief in support of the appeal, \$540, and on requesting an oral hearing in the appeal before the Patent Trial and Appeal Board, \$1,080.

“(7) REVIVAL FEES.—On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in any reexamination proceeding, \$1,620, unless the petition is filed under section 133 or 151, in which case the fee shall be \$540.

“(8) EXTENSION FEES.—For petitions for 1-month extensions of time to take actions required by the Director in an application—

“(A) on filing a first petition, \$130;

“(B) on filing a second petition, \$360; and

“(C) on filing a third or subsequent petition, \$620.

“(b) MAINTENANCE FEES.—

“(1) IN GENERAL.—The Director shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:

“(A) Three years and 6 months after grant, \$980.

“(B) Seven years and 6 months after grant, \$2,480.

“(C) Eleven years and 6 months after grant, \$4,110.

“(2) GRACE PERIOD; SURCHARGE.—Unless payment of the applicable maintenance fee under paragraph (1) is received in the Office on or before the date the fee is due or within a grace period of 6 months thereafter, the patent shall expire as of the end of such grace period. The Director may require the payment of a surcharge as a condition of accepting within such 6-month grace period the payment of an applicable maintenance fee.

“(3) NO MAINTENANCE FEE FOR DESIGN OR PLANT PATENT.—No fee may be established for maintaining a design or plant patent in force.”

(b) DELAYS IN PAYMENT.—Subsection (c) of section 41 of title 35, United States Code, is amended—

(1) by striking “(c)(1) The Director” and inserting:

“(c) DELAYS IN PAYMENT OF MAINTENANCE FEES.—

“(1) ACCEPTANCE.—The Director”; and

(2) by striking “(2) A patent” and inserting:

“(2) EFFECT ON RIGHTS OF OTHERS.—A patent”.

(c) PATENT SEARCH FEES.—Subsection (d) of section 41 of title 35, United States Code, is amended to read as follows:

“(d) PATENT SEARCH AND OTHER FEES.—

“(1) PATENT SEARCH FEES.—

“(A) IN GENERAL.—The Director shall charge the fees specified under subparagraph (B) for the search of each application for a patent, except for provisional applications. The Director shall adjust the fees charged under this paragraph to ensure that the fees recover an amount not to exceed the estimated average cost to the Office of searching applications for patent either by acquiring a search report from a qualified search authority, or by causing a search by Office personnel to be made, of each application for patent.

“(B) SPECIFIC FEES.—The fees referred to in subparagraph (A) are—

“(i) \$540 for each application for an original patent, except for design, plant, provisional, or international applications;

“(ii) \$100 for each application for an original design patent;

“(iii) \$330 for each application for an original plant patent;

“(iv) \$540 for the national stage of each international application; and

“(v) \$540 for each application for the reissue of a patent.

“(C) APPLICABILITY OF OTHER PROVISIONS.—The provisions of paragraphs (3) and (4) of section 111(a) relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in this paragraph with respect to an application filed under section 111(a). The provisions of section 371(d) relating to the payment of the national fee shall apply to the payment of the fee specified in this paragraph with respect to an international application.

“(D) REFUNDS.—The Director may by regulation provide for a refund of any part of the fee specified in this paragraph for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under section 131.

“(E) APPLICATIONS SUBJECT TO SECRECY ORDER.—A search of an application that is the subject of a secrecy order under section 181 or otherwise involves classified information may be conducted only by Office personnel.

“(F) CONFLICTS OF INTEREST.—A qualified search authority that is a commercial entity may not conduct a search of a patent application if the entity has any direct or indirect financial interest in any patent or in any pending or imminent application for patent filed or to be filed in the Office.

“(2) OTHER FEES.—

“(A) IN GENERAL.—The Director shall establish fees for all other processing, services, or materials relating to patents not specified in this section to recover the estimated average cost to the Office of such processing, services, or materials, except that the Director shall charge the following fees for the following services:

“(i) For recording a document affecting title, \$40 per property.

“(ii) For each photocopy, \$.25 per page.

“(iii) For each black and white copy of a patent, \$3.

“(B) COPIES FOR LIBRARIES.—The yearly fee for providing a library specified in section 12 with uncertified printed copies of the specifications and drawings for all patents in that year shall be \$50.”

(d) FEES FOR SMALL ENTITIES.—Subsection (h) of section 41 of title 35, United States Code, is amended to read as follows:

“(h) FEES FOR SMALL ENTITIES.—

“(1) REDUCTIONS IN FEES.—Subject to paragraph (3), fees charged under subsections (a), (b), and (d)(1) shall be reduced by 50 percent with respect to their application to any small business concern as defined under section 3 of the Small Business Act, and to any independent inventor or nonprofit organization as defined in regulations issued by the Director.

“(2) SURCHARGES AND OTHER FEES.—With respect to its application to any entity described in paragraph (1), any surcharge or fee charged under subsection (c) or (d) shall not be higher than the surcharge or fee required of any other entity under the same or substantially similar circumstances.

“(3) REDUCTION FOR ELECTRONIC FILING.—The fee charged under subsection (a)(1)(A) shall be reduced by 75 percent with respect to its application to any entity to which paragraph (1) applies, if the application is filed by electronic means as prescribed by the Director.”

(e) TECHNICAL AMENDMENTS.—Section 41 of title 35, United States Code, is amended—

(1) in subsection (e), in the first sentence, by striking “The Director” and inserting “WAIVER OF FEES; COPIES REGARDING NOTICE.—The Director”;

(2) in subsection (f), by striking “The fees” and inserting “ADJUSTMENT OF FEES.—The fees”;

(3) by repealing subsection (g); and

(4) in subsection (i)—

(A) by striking “(i)(1) The Director” and inserting the following:

“(1) ELECTRONIC PATENT AND TRADEMARK DATA.—

“(1) MAINTENANCE OF COLLECTIONS.—The Director”;

(B) by striking “(2) The Director” and inserting the following:

“(2) AVAILABILITY OF AUTOMATED SEARCH SYSTEMS.—The Director”;

(C) by striking “(3) The Director” and inserting the following:

“(3) ACCESS FEES.—The Director”; and

(D) by striking “(4) The Director” and inserting the following:

“(4) ANNUAL REPORT TO CONGRESS.—The Director”.

(f) ADJUSTMENT OF TRADEMARK FEES.—Section 802(a) of division B of the Consolidated Appropriations Act, 2005 (Public Law 108-447) is amended—

(1) in the first sentence, by striking “During fiscal years 2005, 2006, and 2007.”, and inserting “Until such time as the Director sets or adjusts the fees otherwise.”; and

(2) in the second sentence, by striking “During fiscal years 2005, 2006, and 2007, the” and inserting “The”.

(g) EFFECTIVE DATE, APPLICABILITY, AND TRANSITION PROVISIONS.—Section 803(a) of division B of the Consolidated Appropriations Act, 2005 (Public Law 108-447) is amended by striking “and shall apply only with respect to the remaining portion of fiscal year 2005 and fiscal year 2006”.

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

(i) EFFECTIVE DATE.—Except as provided in subsection (h), this section and the amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 12. SUPPLEMENTAL EXAMINATION.

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

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

“(a) REQUEST FOR SUPPLEMENTAL EXAMINATION.—A patent owner may request supplemental examination of a patent in the Office to consider, reconsider, or correct information believed to be relevant to the patent, in accordance with such requirements as the Director may establish. Within 3 months after the date a request for supplemental examination meeting the requirements of this section is received, the Director shall conduct the supplemental examination and shall conclude such examination by issuing a certificate indicating whether the information presented in the request raises a substantial new question of patentability.

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

“(c) EFFECT.—

“(1) IN GENERAL.—A patent shall not be held unenforceable on the basis of conduct relating

to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent. The making of a request under subsection (a), or the absence thereof, shall not be relevant to enforceability of the patent under section 282.

“(2) EXCEPTIONS.—

“(A) PRIOR ALLEGATIONS.—Paragraph (1) shall not apply to an allegation pled with particularity in a civil action, or set forth with particularity in a notice received by the patent owner under section 505(j)(2)(B)(iv)(II) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355(j)(2)(B)(iv)(II)), before the date of a supplemental examination request under subsection (a) to consider, reconsider, or correct information forming the basis for the allegation.

“(B) PATENT ENFORCEMENT ACTIONS.—In an action brought under section 337(a) of the Tariff Act of 1930 (19 U.S.C. 1337(a)), or section 281 of this title, paragraph (1) shall not apply to any defense raised in the action that is based upon information that was considered, reconsidered, or corrected pursuant to a supplemental examination request under subsection (a), unless the supplemental examination, and any reexamination ordered pursuant to the request, are concluded before the date on which the action is brought.

“(C) FRAUD.—No supplemental examination may be commenced by the Director on, and any pending supplemental examination shall be immediately terminated regarding, an application or patent in connection with which fraud on the Office was practiced or attempted. If the Director determines that such a fraud on the Office was practiced or attempted, the Director shall also refer the matter to the Attorney General for such action as the Attorney General may deem appropriate.

“(d) FEES AND REGULATIONS.—

“(1) FEES.—The Director shall, by regulation, establish fees for the submission of a request for supplemental examination of a patent, and to consider each item of information submitted in the request. If reexamination is ordered under subsection (b), fees established and applicable to ex parte reexamination proceedings under chapter 30 shall be paid, in addition to fees applicable to supplemental examination.

“(2) REGULATIONS.—The Director shall issue regulations governing the form, content, and other requirements of requests for supplemental examination, and establishing procedures for reviewing information submitted in such requests.

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

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

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

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

(b) CONFORMING AMENDMENT.—The table of sections for chapter 25 of title 35, United States Code, is amended by adding at the end the following new item:

“257. Supplemental examinations to consider, reconsider, or correct information.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent issued before, on, or after that effective date.

SEC. 13. FUNDING AGREEMENTS.

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

(1) by striking “75 percent” and inserting “15 percent”;

(2) by striking “25 percent” and inserting “85 percent”; and

(3) by striking “as described above in this clause (D);” and inserting “described above in this clause.”.

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

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

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

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

(c) EXCLUSIONS.—This section does not apply to that part of an invention that—

(1) is a method, apparatus, technology, computer program product, or system, that is used solely for preparing a tax or information return or other tax filing, including one that records, transmits, transfers, or organizes data related to such filing; or

(2) is a method, apparatus, technology, computer program product, or system used solely for financial management, to the extent that it is severable from any tax strategy or does not limit the use of any tax strategy by any taxpayer or tax advisor.

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

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

SEC. 15. BEST MODE REQUIREMENT.

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

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

“(A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or

“(B) any requirement of section 251.”.

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

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

SEC. 16. MARKING.

(a) VIRTUAL MARKING.—

(1) IN GENERAL.—Section 287(a) of title 35, United States Code, is amended by striking “or when,” and inserting “or by fixing thereon the word ‘patent’ or the abbreviation ‘pat.’ together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when,”.

(2) **EFFECTIVE DATE.**—The amendment made by this subsection shall apply to any case that is pending on, or commenced on or after, the date of the enactment of this Act.

(3) **REPORT.**—Not later than the date that is 3 years after the date of the enactment of this Act, the Director shall submit a report to Congress that provides—

(A) an analysis of the effectiveness of “virtual marking”, as provided in the amendment made by paragraph (1) of this subsection, as an alternative to the physical marking of articles;

(B) an analysis of whether such virtual marking has limited or improved the ability of the general public to access information about patents;

(C) an analysis of the legal issues, if any, that arise from such virtual marking; and

(D) an analysis of the deficiencies, if any, of such virtual marking.

(b) **FALSE MARKING.**—

(1) **CIVIL PENALTY.**—Section 292(a) of title 35, United States Code, is amended by adding at the end the following: “Only the United States may sue for the penalty authorized by this subsection.”.

(2) **CIVIL ACTION FOR DAMAGES.**—Subsection (b) of section 292 of title 35, United States Code, is amended to read as follows:

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

(3) **EXPIRED PATENTS.**—Section 292 of title 35, United States Code, is amended by adding at the end the following:

“(c) Whoever engages in an activity under subsection (a) for which liability would otherwise be imposed shall not be liable for such activity—

“(1) that is engaged in during the 3-year period beginning on the date on which the patent at issue expires; or

“(2) that is engaged in after the end of that 3-year period if the word ‘expired’ is placed before the word ‘patent’, ‘patented’, the abbreviation ‘pat’, or the patent number, either on the article or through a posting on the Internet, as provided in section 287(a).”.

(4) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to any case that is pending on, or commenced on or after, the date of the enactment of this Act.

SEC. 17. **ADVICE OF COUNSEL.**

(a) **IN GENERAL.**—Chapter 29 of title 35, United States Code, is amended by adding at the end the following:

“§ 298. **Advice of counsel**

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

(b) **CONFORMING AMENDMENT.**—The table of sections for chapter 29 of title 35, United States Code, is amended by adding at the end the following:

“298. Advice of counsel.”.

SEC. 18. **TRANSITIONAL PROGRAM FOR COVERED BUSINESS METHOD PATENTS.**

(a) **TRANSITIONAL PROGRAM.**—

(1) **ESTABLISHMENT.**—Not later than the date that is 1 year after the date of the enactment of this Act, the Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35, United States Code, subject to the following:

(A) Section 321(c) of title 35, United States Code, and subsections (b), (e)(2), and (f) of sec-

tion 325 of such title shall not apply to a transitional proceeding.

(B) A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person’s real party in interest has been sued for infringement of the patent or has been charged with infringement under that patent.

(C) A petitioner in a transitional proceeding who challenges the validity of 1 or more claims in a covered business method patent on a ground raised under section 102 or 103 of title 35, United States Code, as in effect on the day before the effective date set forth in section 3(n)(1), may support such ground only on the basis of—

(i) prior art that is described by section 102(a) of such title of such title (as in effect on the day before such effective date); or

(ii) prior art that—

(I) discloses the invention more than 1 year before the date of the application for patent in the United States; and

(II) would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in section 3(n)(1)) if the disclosure had been made by another before the invention thereof by the applicant for patent.

(D) The petitioner in a transitional proceeding, or the petitioner’s real party in interest, may not assert, either in a civil action arising in whole or in part under section 1338 of title 28, United States Code, or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), that a claim in a patent is invalid on any ground that the petitioner raised during a transitional proceeding that resulted in a final written decision.

(E) The Director may institute a transitional proceeding only for a patent that is a covered business method patent.

(2) **EFFECTIVE DATE.**—The regulations issued under paragraph (1) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any covered business method patent issued before, on, or after that effective date, except that the regulations shall not apply to a patent described in section 6(f)(2)(A) of this Act during the period in which a petition for post-grant review of that patent would satisfy the requirements of section 321(c) of title 35, United States Code.

(3) **SUNSET.**—

(A) **IN GENERAL.**—This subsection, and the regulations issued under this subsection, are repealed effective upon the expiration of the 10-year period beginning on the date that the regulations issued under to paragraph (1) take effect.

(B) **APPLICABILITY.**—Notwithstanding subparagraph (A), this subsection and the regulations issued under this subsection shall continue to apply, after the date of the repeal under subparagraph (A), to any petition for a transitional proceeding that is filed before the date of such repeal.

(b) **REQUEST FOR STAY.**—

(1) **IN GENERAL.**—If a party seeks a stay of a civil action alleging infringement of a patent under section 281 of title 35, United States Code, relating to a transitional proceeding for that patent, the court shall decide whether to enter a stay based on—

(A) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;

(B) whether discovery is complete and whether a trial date has been set;

(C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and

(D) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.

(2) **REVIEW.**—A party may take an immediate interlocutory appeal from a district court’s deci-

sion under paragraph (1). The United States Court of Appeals for the Federal Circuit shall review the district court’s decision to ensure consistent application of established precedent, and such review may be de novo.

(c) **ATM EXEMPTION FOR VENUE PURPOSES.**—In an action for infringement under section 281 of title 35, United States Code, of a covered business method patent, an automated teller machine shall not be deemed to be a regular and established place of business for purposes of section 1400(b) of title 28, United States Code.

(d) **DEFINITION.**—

(1) **IN GENERAL.**—For purposes of this section, the term “covered business method patent” means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

(2) **REGULATIONS.**—To assist in implementing the transitional proceeding authorized by this subsection, the Director shall issue regulations for determining whether a patent is for a technological invention.

(e) **RULE OF CONSTRUCTION.**—Nothing in this section shall be construed as amending or interpreting categories of patent-eligible subject matter set forth under section 101 of title 35, United States Code.

SEC. 19. **JURISDICTION AND PROCEDURAL MATTERS.**

(a) **STATE COURT JURISDICTION.**—Section 1338(a) of title 28, United States Code, is amended by striking the second sentence and inserting the following: “No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights. For purposes of this subsection, the term ‘State’ includes any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands.”.

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

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

(c) **REMOVAL.**—

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

“§ 1454. **Patent, plant variety protection, and copyright cases**

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

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

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

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

“(c) **CLARIFICATION OF JURISDICTION IN CERTAIN CASES.**—The court to which a civil action is removed under this section is not precluded from hearing and determining any claim in the civil action because the State court from which the civil action is removed did not have jurisdiction over that claim.

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

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

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

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

“1454. Patent, plant variety protection, and copyright cases.”.

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

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

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

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

(2) CONFORMING AMENDMENT.—The table of sections for chapter 99 of title 28, United States Code, is amended by adding at the end the following new item:

“1632. Transfer by the Court of Appeals for the Federal Circuit.”.

(e) PROCEDURAL MATTERS IN PATENT CASES.—

(1) JOINDER OF PARTIES AND STAY OF ACTIONS.—Chapter 29 of title 35, United States Code, as amended by this Act, is further amended by adding at the end the following new section:

“§ 299. Joinder of parties

“(a) JOINDER OF ACCUSED INFRINGERS.—In any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271(e)(2) has been pled, parties that are accused infringers may be joined in one action as defendants or counterclaim defendants only if—

“(1) any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and

“(2) questions of fact common to all defendants or counterclaim defendants will arise in the action.

“(b) ALLEGATIONS INSUFFICIENT FOR JOINDER.—For purposes of this subsection, accused infringers may not be joined in one action or trial as defendants or counterclaim defendants based solely on allegations that they each have infringed the patent or patents in suit.”.

(2) CONFORMING AMENDMENT.—The table of sections for chapter 29 of title 35, United States Code, as amended by this Act, is further amended by adding at the end the following new item: “299. Joinder of parties.”.

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

SEC. 20. TECHNICAL AMENDMENTS.

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

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

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

(3) in the third undesignated paragraph—

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

(B) by striking “and such error arose without any deceptive intention on his part.”.

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

(1) in the first undesignated paragraph—

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

(B) by striking “and without deceptive intention”;

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

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

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

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

(1) in the first undesignated paragraph—

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

(B) by striking “without any deceptive intention”;

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

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

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

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

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

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

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

(1) in the first undesignated paragraph—

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

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

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

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

(1) in the first undesignated paragraph—

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

(B) by striking the third sentence;

(2) in the second undesignated paragraph—

(A) by striking “The following” and inserting “(b) DEFENSES.—The following”;

(B) in paragraph (1), by striking “unenforceability,” and inserting “unenforceability.”;

(C) in paragraph (2), by striking “patentability,” and inserting “patentability.”;

(3) in the third undesignated paragraph—

(A) by striking “In actions involving the validity or infringement of a patent” and inserting “(c) NOTICE OF ACTIONS; ACTIONS DURING EXTENSION OF PATENT TERM.—In an action involving the validity or infringement of patent, the party asserting infringement shall identify, in the pleadings or otherwise in writing to the adverse party, all of its real parties in interest, and”;

(B) by striking “Claims Court” and inserting “Court of Federal Claims”.

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

(i) REVISER'S NOTES.—

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

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

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

(B) in subsection (c)(7)(D), by striking “except where it proves” and all that follows through “small business firms; and” and inserting: “except where it is determined to be infeasible following a reasonable inquiry, a preference in the licensing of subject inventions shall be given to small business firms; and”.

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

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

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

(j) UNNECESSARY REFERENCES.—

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

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

(A) Section 1(c).

(B) Section 101.

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

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

(E) Section 161.

(F) Section 164.

(G) Section 171.

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

(I) Section 261.

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

(K) Section 287(b)(1).

(L) Section 289.

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

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

SEC. 21. TRAVEL EXPENSES AND PAYMENT OF ADMINISTRATIVE JUDGES.

(a) AUTHORITY TO COVER CERTAIN TRAVEL RELATED EXPENSES.—Section 2(b)(11) of title 35, United States Code, is amended by inserting “, and the Office is authorized to expend funds to cover the subsistence expenses and travel-related expenses, including per diem, lodging costs, and transportation costs, of persons attending such programs who are not Federal employees” after “world”.

(b) PAYMENT OF ADMINISTRATIVE JUDGES.—Section 3(b) of title 35, United States Code, is amended by adding at the end the following:

“(6) ADMINISTRATIVE PATENT JUDGES AND ADMINISTRATIVE TRADEMARK JUDGES.—The Director may fix the rate of basic pay for the administrative patent judges appointed pursuant to section 6 and the administrative trademark judges appointed pursuant to section 17 of the Trademark Act of 1946 (15 U.S.C. 1067) at not greater than the rate of basic pay payable for level III of the Executive Schedule under section 5314 of title 5. The payment of a rate of basic pay under this paragraph shall not be subject to the pay limitation under section 5306(e) or 5373 of title 5.”.

SEC. 22. PATENT AND TRADEMARK OFFICE FUNDING.

(a) DEFINITION.—In this section, the term “Fund” means the United States Patent and

Trademark Office Public Enterprise Fund established under subsection (c).

(b) FUNDING.—

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

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

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

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

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

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect on the later of—

(A) October 1, 2011; or

(B) the first day of the first fiscal year that begins after the date of the enactment of this Act.

(c) USPTO REVOLVING FUND.—

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

(2) DERIVATION OF RESOURCES.—There shall be deposited into the Fund and recorded as offsetting receipts, on and after the effective date set forth in subsection (b)(2)—

(A) any fees collected under sections 41, 42, and 376 of title 35, United States Code, except that—

(i) notwithstanding any other provision of law, if such fees are collected by, and payable to, the Director, the Director shall transfer such amounts to the Fund; and

(ii) no funds collected pursuant to section 10(h) of this Act or section 1(a)(2) of Public Law 111-45 shall be deposited in the Fund; and

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

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

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

(i) title 35, United States Code; and

(ii) the Trademark Act of 1946; and

(B) all expenses incurred pursuant to any obligation, representation, or other commitment of the Office.

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

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

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

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

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

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

(e) ANNUAL SPENDING PLAN.—

(1) IN GENERAL.—Not later than 30 days after the beginning of each fiscal year, the Director shall notify the Committees on Appropriations

of both Houses of Congress of the plan for the obligation and expenditure of the total amount of the funds for that fiscal year in accordance with section 605 of the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (Public Law 109-108; 119 Stat. 2334).

(2) CONTENTS.—Each plan under paragraph (1) shall—

(A) summarize the operations of the Office for the current fiscal year, including financial details and staff levels with respect to major activities; and

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

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

(g) BUDGET.—The Director shall prepare and submit each year to the President a business-type budget for the Fund in a manner, and before a date, as the President prescribes by regulation after the Federal budget.

SEC. 23. SATELLITE OFFICES.

(a) ESTABLISHMENT.—Subject to available resources, the Director shall, by not later than the date that is 3 years after the date of the enactment of this Act, establish 3 or more satellite offices in the United States to carry out the responsibilities of the Office.

(b) PURPOSES.—The purposes of the satellite offices established under subsection (a) are to—

(1) increase outreach activities to better connect patent filers and innovators with the Office;

(2) enhance patent examiner retention;

(3) improve recruitment of patent examiners;

(4) decrease the number of patent applications waiting for examination; and

(5) improve the quality of patent examination.

(c) REQUIRED CONSIDERATIONS.—

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

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

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

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

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

(1) the rationale of the Director in selecting the location of any satellite office required under subsection (a);

(2) the progress of the Director in establishing all such satellite offices; and

(3) whether the operation of existing satellite offices is achieving the purposes under subsection (b).

SEC. 24. DESIGNATION OF DETROIT SATELLITE OFFICE.

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

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

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

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

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

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

(1) in subparagraph (E), by striking “and” after the semicolon;

(2) in subparagraph (F), by inserting “and” after the semicolon; and

(3) by adding at the end the following:

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

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

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

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

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

SEC. 28. STUDY ON IMPLEMENTATION.

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

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

SEC. 29. PRO BONO PROGRAM.

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

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

SEC. 30. EFFECTIVE DATE.

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

SEC. 31. BUDGETARY EFFECTS.

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

The Acting CHAIR. No amendment to the committee amendment is in order except those printed in part B of House Report 112-111. Each such amendment may be offered only in the order printed in the report, by a Member designated in the report, shall be considered read, shall be debatable for the time specified in the report equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question.

AMENDMENT NO. 1 OFFERED BY MR. SMITH OF TEXAS

The Acting CHAIR. It is now in order to consider amendment No. 1 printed in part B of House Report 112-111.

Mr. SMITH of Texas. Madam Chair, I have an amendment at the desk.

The Acting CHAIR. The Clerk will designate the amendment.

The text of the amendment is as follows:

Page 3, line 5, strike "America Invents Act" and insert "Leahy-Smith America Invents Act".

Page 4, lines 10 and 22, strike "5(a)(1)" and insert "5(a)".

Page 16, line 1, insert after the period the following: "In appropriate circumstances, the Patent Trial and Appeal Board may correct the naming of the inventor in any application or patent at issue."

Page 25, strike line 13 and all that follows through page 27, line 2, and redesignate the succeeding subsections accordingly.

Page 27, line 4, strike "registration".

Page 27, line 5, strike "inventor to use" and insert "to invent".

Page 27, line 6, insert "and the useful arts" after "science".

Page 27, line 9, strike "granted by the" and insert "provided by the grant of".

Page 27, line 12, strike "registration".

Page 27, line 13, strike "inventor to use" and insert "to invent".

Page 27, lines 14 and 15, strike "harmonize the United States patent registration system with the patent registration systems" and insert "improve the United States patent system and promote harmonization of the United States patent system with the patent systems".

Page 27, line 18, strike "a greater sense of" and insert "greater".

Page 36, strike line 10 and all that follows through page 40, line 5, and insert the following (and conform the table of contents) accordingly:

SEC. 5. DEFENSE TO INFRINGEMENT BASED ON PRIOR COMMERCIAL USE.

(a) IN GENERAL.—Section 273 of title 35, United States Code, is amended to read as follows:

"§ 273. Defense to infringement based on prior commercial use

"(a) IN GENERAL.—A person shall be entitled to a defense under section 282(b) with respect to subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufac-

turing or other commercial process, that would otherwise infringe a claimed invention being asserted against the person if—

"(1) such person, acting in good faith, commercially used the subject matter in the United States, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use; and

"(2) such commercial use occurred at least 1 year before the earlier of either—

"(A) the effective filing date of the claimed invention; or

"(B) the date on which the claimed invention was disclosed to the public in a manner that qualified for the exception from prior art under section 102(b).

"(b) BURDEN OF PROOF.—A person asserting a defense under this section shall have the burden of establishing the defense by clear and convincing evidence.

"(c) ADDITIONAL COMMERCIAL USES.—

"(1) PREMARKETING REGULATORY REVIEW.—Subject matter for which commercial marketing or use is subject to a premarketing regulatory review period during which the safety or efficacy of the subject matter is established, including any period specified in section 156(g), shall be deemed to be commercially used for purposes of subsection (a)(1) during such regulatory review period.

"(2) NONPROFIT LABORATORY USE.—A use of subject matter by a nonprofit research laboratory or other nonprofit entity, such as a university or hospital, for which the public is the intended beneficiary, shall be deemed to be a commercial use for purposes of subsection (a)(1), except that a defense under this section may be asserted pursuant to this paragraph only for continued and non-commercial use by and in the laboratory or other nonprofit entity.

"(d) EXHAUSTION OF RIGHTS.—Notwithstanding subsection (e)(1), the sale or other disposition of a useful end result by a person entitled to assert a defense under this section in connection with a patent with respect to that useful end result shall exhaust the patent owner's rights under the patent to the extent that such rights would have been exhausted had such sale or other disposition been made by the patent owner.

"(e) LIMITATIONS AND EXCEPTIONS.—

"(1) PERSONAL DEFENSE.—

"(A) IN GENERAL.—A defense under this section may be asserted only by the person who performed or directed the performance of the commercial use described in subsection (a), or by an entity that controls, is controlled by, or is under common control with such person.

"(B) TRANSFER OF RIGHT.—Except for any transfer to the patent owner, the right to assert a defense under this section 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.

"(C) RESTRICTION ON SITES.—A defense under this section, when acquired by a person as part of an assignment or transfer described in subparagraph (B), may only be asserted for uses at sites where the subject matter that would otherwise infringe a claimed invention is in use before the later of the effective filing date of the claimed invention or the date of the assignment or transfer of such enterprise or line of business.

"(2) DERIVATION.—A person may not assert a defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee.

"(3) NOT A GENERAL LICENSE.—The defense asserted by a person under this section is not a general license under all claims of the patent at issue, but extends only to the specific subject matter for which it has been established that a commercial use that qualifies under this section occurred, except that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter, and to improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent.

"(4) ABANDONMENT OF USE.—A person who has abandoned commercial use (that qualifies under this section) of subject matter may not rely on activities performed before the date of such abandonment in establishing a defense under this section with respect to actions taken on or after the date of such abandonment.

"(5) UNIVERSITY EXCEPTION.—

"(A) IN GENERAL.—A person commercially using subject matter to which subsection (a) applies may not assert a defense under this section if the claimed invention with respect to which the defense is asserted was, at the time the invention was made, owned or subject to an obligation of assignment to either an institution of higher education (as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)), or a technology transfer organization whose primary purpose is to facilitate the commercialization of technologies developed by one or more such institutions of higher education.

"(B) EXCEPTION.—Subparagraph (A) shall not apply if any of the activities required to reduce to practice the subject matter of the claimed invention could not have been undertaken using funds provided by the Federal Government.

"(f) UNREASONABLE ASSERTION OF DEFENSE.—If the defense under this section is pleaded by a person who is found to infringe the patent and who subsequently fails to demonstrate a reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney fees under section 285.

"(g) INVALIDITY.—A patent shall not be deemed to be invalid under section 102 or 103 solely because a defense is raised or established under this section."

(b) CONFORMING AMENDMENT.—The item relating to section 273 in the table of sections for chapter 28 of title 35, United States Code, is amended to read as follows:

"273. Defense to infringement based on prior commercial use."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any patent issued on or after the date of the enactment of this Act.

Page 41, line 5, strike "1 year" and insert "9 months".

Page 42, line 22, strike "commence" and insert "be instituted".

Page 43, line 24, and page 44, line 1, strike "petitioner, real party in interest, or privy of the petitioner" and insert "petitioner or real party in interest".

Page 44, lines 3 and 4, strike "petitioner, real party in interest, or privy of the petitioner" and insert "petitioner or real party in interest".

Page 44, lines 13 and 14, strike "petitioner, real party in interest, or privy of the petitioner" and insert "petitioner or real party in interest".

Page 44, lines 16 and 17, strike "petitioner, real party in interest, or privy of the petitioner" and insert "petitioner or real party in interest".

Page 52, line 10, strike "AMENDED OR NEW CLAIM" and insert "INTERVENING RIGHTS".

Page 54, insert the following after line 10:

(3) TRANSITION.—

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

(i) in section 312—

(I) in subsection (a)—

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

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

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

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

(B) APPLICATION.—The amendments made by this paragraph—

(i) shall take effect on the date of the enactment of this Act; and

(ii) shall apply to requests for inter partes reexamination that are filed on or after such date of enactment, but before the effective date set forth in paragraph (2)(A) of this subsection.

(C) CONTINUED APPLICABILITY OF PRIOR PROVISIONS.—The provisions of chapter 31 of title 35, United States Code, as amended by this paragraph, shall continue to apply to requests for inter partes reexamination that are filed before the effective date set forth in paragraph (2)(A) as if subsection (a) had not been enacted.

Page 54, line 17, strike “patent owner” and insert “owner of a patent”.

Page 54, line 18, strike “of a” and insert “of the”.

Page 55, line 10, strike “1 year” and insert “9 months”.

Page 57, line 3, strike “commence” and insert “be instituted”.

Page 57, line 25, strike “The” and all that follows through “public.” on page 58, line 1.

Page 58, lines 11 and 12, strike “petitioner, real party in interest, or privy of the petitioner” and insert “petitioner or real party in interest”.

Page 58, lines 15 and 16, strike “petitioner, real party in interest, or privy of the petitioner” and insert “petitioner or real party in interest”.

Page 58, line 25 and page 59, line 1, strike “petitioner, real party in interest, or privy of the petitioner” and insert “petitioner or real party in interest”.

Page 59, lines 3 and 4, strike “petitioner, real party in interest, or privy of the petitioner” and insert “petitioner or real party in interest”.

Page 63, line 15, strike “and”.

Page 63, line 23, strike the period and insert “; and”.

Page 63, insert the following after line 23: “(12) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.”.

Page 66, line 24, strike “AMENDED OR NEW CLAIM” and insert “INTERVENING RIGHTS”.

Page 68, line 10, strike “to any patent that is” and insert “only to patents”.

Page 78, insert the following after line 1 and redesignate the succeeding subsection accordingly:

(d) CONFORMING AMENDMENTS.—

(1) ATOMIC ENERGY ACT OF 1954.—Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182) is amended in the third undesignated paragraph—

(A) by striking “Board of Patent Appeals and Interferences” each place it appears and inserting “Patent Trial and Appeal Board”; and

(B) by inserting “and derivation” after “established for interference”.

(2) TITLE 51.—Section 20135 of title 51, United States Code, is amended—

(A) in subsections (e) and (f), by striking “Board of Patent Appeals and Interferences” each place it appears and inserting “Patent Trial and Appeal Board”; and

(B) in subsection (e), by inserting “and derivation” after “established for interference”.

Page 86, lines 11 and 12, strike “examination fee for the application” and insert “applicable fee”.

Page 86, line 15, insert “most recently” after “as”.

Page 86, line 22, strike “examination fee for the application” and insert “applicable fee”.

Page 87, line 1, insert “most recently” after “as”.

Page 87, strike line 18 and all that follows through page 88, line 8, and insert the following:

“(d) INSTITUTIONS OF HIGHER EDUCATION.—For purposes of this section, a micro entity shall include an applicant who certifies that—

“(1) the applicant’s employer, from which the applicant obtains the majority of the applicant’s income, is an institution of higher education as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)); or

“(2) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law, to assign, grant, or convey, a license or other ownership interest in the particular applications to such an institution of higher education.

Page 88, line 9, strike “(2) DIRECTOR’S AUTHORITY.—The Director” and insert “(e) DIRECTOR’S AUTHORITY.—In addition to the limits imposed by this section, the Director”.

Page 88, move the text of lines 9 through 21 2 ems to the left.

Page 88, line 12, strike “subsection” and insert “section”.

Page 88, line 18, strike “paragraph” and insert “subsection”.

Page 89, line 2, strike “a fee” and insert “an additional fee”.

Page 89, line 17, strike “This” and insert “Except as provided in subsection (h), this”.

Page 89, line 22, strike “6-year” and insert “7-year”.

Page 89, add the following after line 23:

(3) PRIOR REGULATIONS NOT AFFECTED.—The termination of authority under this subsection shall not affect any regulations issued under this section before the effective date of such termination or any rulemaking proceeding for the issuance of regulations under this section that is pending on such date.

Page 96, line 15, strike “either” and all that follows through “patent” on line 19 and inserting “by Office personnel”.

Page 98, strike lines 3 through 14.

Page 102, insert the following after line 7 and redesignate the succeeding subsection accordingly:

(i) APPROPRIATION ACCOUNT TRANSITION FEES.—

(1) SURCHARGE.—

(A) IN GENERAL.—There shall be a surcharge of 15 percent, rounded by standard

arithmetic rules, on all fees charged or authorized by subsections (a), (b), and (d)(1) of section 41, and section 132(b), of title 35, United States Code. Any surcharge imposed under this subsection is, and shall be construed to be, separate from and in addition to any other surcharge imposed under this Act or any other provision of law.

(B) DEPOSIT OF AMOUNTS.—Amounts collected pursuant to the surcharge imposed under subparagraph (A) shall be credited to the United States Patent and Trademark Appropriation Account, shall remain available until expended, and may be used only for the purposes specified in section 42(c)(3)(A) of title 35, United States Code.

(2) EFFECTIVE DATE AND TERMINATION OF SURCHARGE.—The surcharge provided for in paragraph (1)—

(A) shall take effect on the date that is 10 days after the date of the enactment of this Act; and

(B) shall terminate, with respect to a fee to which paragraph (1)(A) applies, on the effective date of the setting or adjustment of that fee pursuant to the exercise of the authority under section 10 for the first time with respect to that fee.

Page 102, strike lines 1 through 7 and insert the following:

(h) PRIORITIZED EXAMINATION FEE.—

(1) IN GENERAL.—

(A) FEE.—

(i) PRIORITIZED EXAMINATION FEE.—A fee of \$4,800 shall be established for filing a request, pursuant to section 2(b)(2)(G) of title 35, United States Code, for prioritized examination of a nonprovisional application for an original utility or plant patent.

(ii) ADDITIONAL FEES.—In addition to the prioritized examination fee under clause (i), the fees due on an application for which prioritized examination is being sought are the filing, search, and examination fees (including any applicable excess claims and application size fees), processing fee, and publication fee for that application.

(B) REGULATIONS; LIMITATIONS.—

(i) REGULATIONS.—The Director may by regulation prescribe conditions for acceptance of a request under subparagraph (A) and a limit on the number of filings for prioritized examination that may be accepted.

(ii) LIMITATION ON CLAIMS.—Until regulations are prescribed under clause (i), no application for which prioritized examination is requested may contain or be amended to contain more than 4 independent claims or more than 30 total claims.

(iii) LIMITATION ON TOTAL NUMBER OF REQUESTS.—The Director may not accept in any fiscal year more than 10,000 requests for prioritization until regulations are prescribed under this subparagraph setting another limit.

(2) REDUCTION IN FEES FOR SMALL ENTITIES.—The Director shall reduce fees for providing prioritized examination of nonprovisional applications for original utility and plant patents by 50 percent for small entities that qualify for reduced fees under section 41(h)(1) of title 35, United States Code.

(3) DEPOSIT OF FEES.—All fees paid under this subsection shall be credited to the United States Patent and Trademark Office Appropriation Account, shall remain available until expended, and may be used only for the purposes specified in section 42(c)(3)(A) of title 35, United States Code.

(4) EFFECTIVE DATE AND TERMINATION.—

(A) EFFECTIVE DATE.—This subsection shall take effect on the date that is 10 days after the date of the enactment of this Act.

(B) TERMINATION.—The fee imposed under paragraph (1)(A)(i), and the reduced fee under paragraph (2), shall terminate on the effective date of the setting or adjustment of

the fee under paragraph (1)(A)(i) pursuant to the exercise of the authority under section 10 for the first time with respect to that fee.

Page 102, lines 8 and 9, strike “Except as provided in subsection (h),” and insert “Except as otherwise provided in this section.”.

Page 105, strike lines 1 through 11.

Page 105, add the following after line 25 and redesignate the succeeding subsection accordingly:

“(e) FRAUD.—If the Director becomes aware, during the course of a supplemental examination or reexamination proceeding ordered under this section, that a material fraud on the Office may have been committed in connection with the patent that is the subject of the supplemental examination, then in addition to any other actions the Director is authorized to take, including the cancellation of any claims found to be invalid under section 307 as a result of a reexamination ordered under this section, the Director shall also refer the matter to the Attorney General for such further action as the Attorney General may deem appropriate. Any such referral shall be treated as confidential, shall not be included in the file of the patent, and shall not be disclosed to the public unless the United States charges a person with a criminal offense in connection with such referral.

Page 111, strike lines 13 through 24 and insert the following:

“(c) The marking of a product, in a manner described in subsection (a), with matter relating to a patent that covered that product but has expired is not a violation of this section.”.

Page 112, line 2, strike “any case that is” and insert “all cases, without exception, that are”.

Page 113, line 13, insert “or privy” after “interest”.

Page 114, lines 15 and 16, strike “The petitioner in a transitional proceeding,” and insert the following: “The petitioner in a transitional proceeding that results in a final written decision under section 328(a) of title 35, United States Code, with respect to a claim in a covered business method patent.”.

Page 114, line 22, strike “a claim in a patent” and insert “the claim”.

Page 114, lines 23-25, strike “a transitional proceeding that resulted in a final decision” and insert “that transitional proceeding”.

Page 115, line 18, strike “10-” and insert “8-”.

Page 120, strike line 17 and all that follows through the matter following line 10 on page 121 and redesignate succeeding subsections accordingly.

Page 121, line 17, strike “In any” and insert “With respect to any”.

Page 121, line 22, insert “, or have their actions consolidated for trial,” after “defendants”.

Page 122, line 9, strike “or trial”.

Page 122, line 10, insert “, or have their actions consolidated for trial,” after “defendants”.

Page 122, line 11, strike the quotation marks and second period.

Page 122, insert the following after line 11:

“(c) WAIVER.—A party that is an accused infringer may waive the limitations set forth in this section with respect to that party.”.

Page 126, line 13, strike “patent,” and all that follows through the first appearance of “and” on line 17 and insert “a patent,”.

Page 128, insert the following after line 23 and redesignate the succeeding subsection accordingly:

(k) ADDITIONAL TECHNICAL AMENDMENTS.—Sections 155 and 155A of title 35, United States Code, and the items relating to those sections in the table of sections for chapter 14 of such title, are repealed.

Page 130, strike line 3 and all that follows through page 134, line 17, and insert the following:

SEC. 22. PATENT AND TRADEMARK OFFICE FUNDING.

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

(1) by striking “(c)” and inserting “(c)(1)”;

(2) in the first sentence, by striking “shall be available” and inserting “shall, subject to paragraph (3), be available”;

(3) by striking the second sentence; and

(4) by adding at the end the following:

“(2) There is established in the Treasury a Patent and Trademark Fee Reserve Fund. If fee collections by the Patent and Trademark Office for a fiscal year exceed the amount appropriated to the Office for that fiscal year, fees collected in excess of the appropriated amount shall be deposited in the Patent and Trademark Fee Reserve Fund. To the extent and in the amounts provided in appropriations Acts, amounts in the Fund shall be made available until expended only for obligation and expenditure by the Office in accordance with paragraph (3).

“(3)(A) Any fees that are collected under sections 41, 42, and 376, and any surcharges on such fees, may only be used for expenses of the Office relating to the processing of patent applications and for other activities, services, and materials relating to patents and to cover a share of the administrative costs of the Office relating to patents.

“(B) Any fees that are collected under section 31 of the Trademark Act of 1946, and any surcharges on such fees, may only be used for expenses of the Office relating to the processing of trademark registrations and for other activities, services, and materials relating to trademarks and to cover a share of the administrative costs of the Office relating to trademarks.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 2011.

Page 137, strike lines 1 through 7 and redesignate the succeeding sections (and conform the table of contents) accordingly.

Page 137, lines 8 and 9, strike “TECHNOLOGIES IMPORTANT TO AMERICAN COMPETITIVENESS” and insert “IMPORTANT TECHNOLOGIES” (and conform the table of contents accordingly).

Page 138, strike lines 1 through 21 and redesignate succeeding sections (and conform the table of contents) accordingly.

Page 139, insert the following after line 12 and redesignate the succeeding sections (and conform the table of contents) accordingly:

SEC. 27. STUDY ON GENETIC TESTING.

(a) IN GENERAL.—The Director shall conduct a study on effective ways to provide independent, confirming genetic diagnostic test activity where gene patents and exclusive licensing for primary genetic diagnostic tests exist.

(b) ITEMS INCLUDED IN STUDY.—The study shall include an examination of at least the following:

(1) The impact that the current lack of independent second opinion testing has had on the ability to provide the highest level of medical care to patients and recipients of genetic diagnostic testing, and on inhibiting innovation to existing testing and diagnoses.

(2) The effect that providing independent second opinion genetic diagnostic testing would have on the existing patent and license holders of an exclusive genetic test.

(3) The impact that current exclusive licensing and patents on genetic testing activity has on the practice of medicine, including but not limited to: the interpretation of testing results and performance of testing procedures.

(4) The role that cost and insurance coverage have on access to and provision of genetic diagnostic tests.

(c) CONFIRMING GENETIC DIAGNOSTIC TEST ACTIVITY DEFINED.—For purposes of this sec-

tion, the term “confirming genetic diagnostic test activity” means the performance of a genetic diagnostic test, by a genetic diagnostic test provider, on an individual solely for the purpose of providing the individual with an independent confirmation of results obtained from another test provider’s prior performance of the test on the individual.

(d) REPORT.—Not later than 9 months after the date of enactment of this Act, the Director shall report to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives on the findings of the study and provide recommendations for establishing the availability of such independent confirming genetic diagnostic test activity.

SEC. 28. PATENT OMBUDSMAN PROGRAM FOR SMALL BUSINESS CONCERNS.

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

Page 139, insert the following after line 20 and redesignate the succeeding sections (and conform the table of contents) accordingly:

SEC. 30. LIMITATION ON ISSUANCE OF PATENTS.

(a) LIMITATION.—Notwithstanding any other provision of law, no patent may issue on a claim directed to or encompassing a human organism.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Subsection (a) shall apply to any application for patent that is pending on, or filed on or after, the date of the enactment of this Act.

(2) PRIOR APPLICATIONS.—Subsection (a) shall not affect the validity of any patent issued on an application to which paragraph (1) does not apply.

SEC. 31. STUDY OF PATENT LITIGATION.

(a) GAO STUDY.—The Comptroller General of the United States shall conduct a study of the consequences of litigation by non-practicing entities, or by patent assertion entities, related to patent claims made under title 35, United States Code, and regulations authorized by that title.

(b) CONTENTS OF STUDY.—The study conducted under this section shall include the following:

(1) The annual volume of litigation described in subsection (a) over the 20-year period ending on the date of the enactment of this Act.

(2) The volume of cases comprising such litigation that are found to be without merit after judicial review.

(3) The impacts of such litigation on the time required to resolve patent claims.

(4) The estimated costs, including the estimated cost of defense, associated with such litigation for patent holders, patent licensors, patent licensees, and inventors, and for users of alternate or competing innovations.

(5) The economic impact of such litigation on the economy of the United States, including the impact on inventors, job creation, employers, employees, and consumers.

(6) The benefit to commerce, if any, supplied by non-practicing entities or patent assertion entities that prosecute such litigation.

(c) REPORT TO CONGRESS.—The Comptroller General shall, not later than the date that is 1 year after the date of the enactment of this Act, 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 required under this section, including recommendations for any changes to laws and regulations that will minimize any negative impact of patent litigation that was the subject of such study.

The Acting CHAIR. Pursuant to House Resolution 316, the gentleman from Texas (Mr. SMITH) and a Member opposed each will control 5 minutes.

The Chair recognizes the gentleman from Texas.

Mr. SMITH of Texas. I yield myself such time as I may consume.

Madam Chair, the manager's amendment consists of numerous technical edits and other improvements to the bill. Some of the highlights include the following provisions:

Expansion and clarification of prior-user rights under section 273 of the Patent Act.

Institutions of higher education qualify for "micro-entity" status when paying fees. In other words, an inventor who works for a university or who assigns or conveys an invention to a university qualifies for lower micro-entity fee status.

Consolidation of numerous PTO reporting requirements.

Inclusion of "Weldon amendment" language that forbids the patenting of inventions "directed to or encompassing a human organism." This language has been part of the CJS appropriations legislation for years. It's directed as preventing the PTO from approving inventions related to human cloning.

And deletion of a provision that provides special treatment to one company that wants to get additional patent term protection from the PTO.

These and other changes in the manager's amendment smooth out a few rough edges and improve the overall bill.

I reserve the balance of my time.

Mr. WATT. Madam Chair, I rise in opposition to the amendment.

The Acting CHAIR. The gentleman from North Carolina is recognized for 5 minutes.

Mr. WATT. I yield 2 minutes to the gentleman from Wisconsin (Mr. SENSENBRENNER).

Mr. SENSENBRENNER. Madam Chair, this manager's amendment is substantive. It contains provisions that should not be buried in a manager's amendment, and it should be defeated.

First of all, it does maintain the fee diversion. It maintains the fee diversion because of an alleged lock box. We've heard about this before, and I have in my hand the CONGRESSIONAL RECORD of June 23, 2000, where the chairman, at the time, of the State, Justice, Commerce Subcommittee stated that the fees that are generated by the Patent Office are not to be used by any other agency or any other purpose. They remain in that account to be used in succeeding years. We are not siphoning off Patent Office fees for other expenditures.

Well, guess what? It happened. And it's happened in the last 10 to 12 years to the tune of \$1 billion. And this is exactly the same promise that they're making now. Fool us once, shame on them. Fool us twice, shame on us.

Now, this change relative to the reported bill to what is in the manager's

amendment is the thing that is subject to the waiver of CutGo to the tune of \$717 million over the next 5 years. The proponents of this amendment say this is a mere technical waiver of CutGo.

□ 2110

\$717 million is no mere technical waiver of CutGo.

If you believe in CutGo, you've got to vote down the manager's amendment where this change was protected by the waiver granted for the Rules Committee. The amendment is substantive, it ought to be defeated.

Mr. SMITH of Texas. Madam Chair, I continue to reserve the balance of my time.

Mr. WATT. I yield myself the balance of my time.

Let me first say I agree with Mr. SENSENBRENNER. The Rules Committee says that this is a technical amendment, that it would make technical edits and a few necessary changes to more substantive issues. This is a very substantive manager's amendment; there is no question about that.

There are many good parts to this bill, and a broad coalition of people supported the bill which was reported out of committee. But the one and only necessary part of the bill is the ability to give the Patent and Trademark Office its full funding. That was the whole purpose for which we started off this process.

This whole reform process was conceived to address poor-quality patents and to reduce the backlog of patent applications, which now exceeds a 700,000 backlog of patent applications. And the reason it exceeds 700,000 is because the Patent and Trademark Office has not had the money because their fees that they have been charging have been diverted to the general fund. Without a clear path to access its own collection of fees, the PTO cannot properly plan or implement the other changes in the bill and fulfill its primary function of reducing the backlog and examining patent applications.

The compromise that this manager's amendment proposes has been described by a patent news blog as, it says, It's still Lucy—that's the appropriators—holding the football that it will never let Charlie Brown have. That's really what we see here.

This is a mirage, a promise that they are going to do something that, if they just did it in the bill the way we reported the bill out of the committee, you wouldn't need this subterfuge. There is no reason to be doing this. The Senate reported it out clean, no diversion, 95-4 they voted it out of the Senate.

I don't even know why we're here debating this at this point. If we believe that the one primary purpose of patent reform is to deal with the fee diversion, then we need to deal with that first, and that's exactly what we did in the Judiciary Committee.

I don't know why I'm here defending what we, on a broad, bipartisan basis,

reported out of our committee. It ought to be the chairman of the committee that's defending what we reported out of the committee. Yet we are here, instead of defending what we reported out of the committee, the manager's amendment waters it down and makes it ineffective, and that's not what we should be doing here.

Now they said they got these letters of support, but the letters came supporting what came out of the committee, not the manager's amendment. The manager's amendment is going to destroy what came out of the committee. It is inconsistent with what came out of the committee.

So we've got to defeat the manager's amendment and go back to the bill that came out of the Judiciary Committee, and that's what I'm advocating.

Mr. SMITH of Texas. I yield myself the balance of my time.

Madam Chair, let me address some of the criticisms that have been made about the manager's amendment. There are some who want to make more changes to the business method patent provision in the bill. This topic is the primary reason the Judiciary Committee launched patent reform back in 2005.

In response to a number of poor-quality, business-method patents issued over the past decade, the bill creates a transitional program within PTO to evaluate these patents using the best prior art available. Bad patents will be weeded out, but good ones will become gold-plated based on their enhanced legal integrity.

There are others who have sought changes to the prior art provisions in the First-Inventor-to-File section. The language in our bill which replicates that in the Senate version has drawn support from a large cross-range of industries and investors.

Some colleagues have complained during this debate about the treatment of PTO funding in the manager's amendment. The bill that the House Judiciary Committee reported would allow the PTO to keep all the revenue it raises without having to request funding through the normal appropriations process. This is treated as mandatory spending and scored savings in excess of \$700 million.

Because of concerns raised by the Appropriations Committee members, we worked with them to develop a compromise that eliminates fee diversion while permitting the appropriators to retain oversight through the traditional appropriations process. The manager's amendment accomplishes this goal, but it means that the mandatory spending provisions of the revolving fund become discretionary spending under the reserved fund. Because this change is contrary to CutGo requirements, we need a waiver for consideration of H.R. 1249.

I want to emphasize that the bill includes user fees paid by inventors and trademark filers to the PTO in return

for services. This isn't the same thing as using tax revenue from the general treasury to fund the agency, so I am not sure that the CutGo rules even apply.

Very importantly, there is no impact on the deficit. The manager's amendment is constitutionally sound, improves the base text of the bill, and incorporates a funding agreement approved by the leadership to get this bill to the floor. It's important to pass it and then move on to the other amendments.

I urge my colleagues to vote "aye" on the amendment.

Mr. RYAN of Wisconsin. Madam Chair, I rise today to provide an explanation of my support for a waiver of the Cut-go point of order on the Manager's Amendment to H.R. 1249, the America Invents Act. No matter how well-crafted a budget enforcement tool may be it can never be immune from all unintended consequences.

There are two reasons I support this waiver. First, the violation arises from an anomaly associated with converting this program from discretionary to mandatory. Second, the Manager's Amendment does not cause an increase in direct spending relative to current law.

With respect to the first point, CBO currently records PTO fee collections on an annual basis with the enactment of the relevant appropriations bill. As a result, CBO shows no deficit impact from PTO for fiscal years after FY 2011 if the funding and fee collections remain subject to the appropriations process—what we call "discretionary spending."

The reported bill would have provided permanent authority to the PTO to collect fees and spend the fee collections. We call spending that is provided through permanent law "mandatory spending." CBO estimated this permanent authority for FY 2012–2021 would reduce mandatory spending by \$712 million. The savings, however, are the result of CBO's estimate that the agency will not be able to spend the fees as quickly as they are collected, not from spending reduction.

This should be obvious because the whole rationale of this bill was to ensure the expenditure of all PTO fee collections. If the reported bill was mandating that all PTO collections be spent, how can it produce budgetary savings? It doesn't. The only savings are paper savings, resulting from an accounting change and not an actual reduction in spending.

The Cut-go rule was designed to prevent the total amount of mandatory spending in the Federal Budget from increasing by requiring a corresponding spending reduction for any proposal to increase direct spending, and not offset with an increase in revenue as was common practice under Pay-Go.

Ironically, the Manager's Amendment would prevent a discretionary program from turning into mandatory

spending, but because Cut-go is measured relative to the reported bill and not to the baseline, it triggers a Cut-go violation. Cut-go was not intended to favor mandatory spending over discretionary spending.

With respect to the second point, the Manager's Amendment maintains the same basic fee and spending structure as the underlying legislation but keeps the program discretionary. CBO estimates the bill, with the Manager's Amendment, would decrease the deficit by \$5 billion over ten years, unrelated to the PTO classification. The Committee could have avoided a Cut-go point of order if it reported out a separate bill that reflected the Manager's Amendment.

I do not take waiving budget points of order lightly, but in this case it is justified.

Mr. SMITH of Texas. Madam Chair, I yield back the balance of my time.

The Acting CHAIR. The question is on the amendment offered by the gentleman from Texas (Mr. SMITH).

The question was taken; and the Acting Chair announced that the noes appeared to have it.

Mr. SMITH of Texas. Madam Chair, I demand a recorded vote.

The Acting CHAIR. Pursuant to clause 6 of rule XVIII, further proceedings on the amendment offered by the gentleman from Texas will be postponed.

Mr. SMITH of Texas. Madam Chair, I move that the Committee do now rise.

The motion was agreed to.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. GOODLATTE) having assumed the chair, Ms. FOXX, Acting Chair of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H.R. 1249) to amend title 35, United States Code, to provide for patent reform, had come to no resolution thereon.

□ 2120

AMERICAN INVOLVEMENT IN LIBYA

The SPEAKER pro tempore. Under the Speaker's announced policy of January 5, 2011, the gentleman from Indiana (Mr. BURTON) is recognized for half the time before 10 p.m. as the designee of the majority leader.

Mr. BURTON of Indiana. Mr. Speaker, I am not going to take all of the time that is allocated for my Special Order tonight, but I did want to talk about the problem that we are facing in Libya right now.

The President of the United States has the authority under the Constitution to be the Commander in Chief in the event that we have to go into a military conflict. What the President does not have the right to do is to take us into a military conflict without consulting with the Congress of the United States, unless there is an imminent

threat to the United States or an attack on the United States.

The Constitution is pretty clear on this subject. Unfortunately, during the Nixon administration there was some question about whether or not President Nixon exceeded his authority, so the Congress of the United States passed what was called the War Powers Act. The War Powers Act was designed to clarify very clearly for President Nixon and all future presidents the authority granted them under the Constitution in the event that there was to be a conflict.

The President vetoed that bill because he thought it was an infringement. I am talking about President Nixon now. He vetoed that bill because he thought it was an infringement of the constitutional powers of the President. The Congress overwhelmingly overrode the President's veto, and so the War Powers Act became law.

Now, there has been a lot of question from some of my colleagues about the constitutionality of the War Powers Act. I have heard some of my friends in the other body say it is not constitutional. I have heard friends of mine within the House of Representatives say that the War Powers Act is not constitutional. The fact of the matter is it has never been tested in court. It has never gone to the U.S. Supreme Court and, as a result, the War Powers Act is the law of the land. It is the law of the United States of America, and it is intended, as I said before, to clarify the constitutional powers of the President of the United States where war is concerned.

Now, the President of the United States, Mr. Obama, decided that we ought to go into Libya for humanitarian purposes. There is nothing in the Constitution or the War Powers Act that gives him the authority to do that unless he has the express approval and support of the Congress of the United States.

When President Bush was the President and he went into Iraq, he first consulted with the Congress. When he went into Afghanistan, he first consulted with Congress. But President Obama said because of the time elements and the time concerns about the humanitarian problems in Libya, that he had to act expeditiously, and he did not have the time to consult with Congress.

Well, for 2 weeks or thereabouts he had time to consult with the French, the English, the United Nations, NATO, and the Arab league, but he did not have the time to come and talk to the Congress of the United States. So I think that was a red herring. I think the President did have the time, but he chose to move of his own volition into Libya and to put the United States in effect at war again. They say it is not a war, but it is a war. They said it was a NATO operation, but if you look at the facts, you find that the United States is carrying the vast amount of the burden of this war.