AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

110TH CONGRESS, 1st Session | HOUSE OF REPRESENTATIVES | REPORT 110–314

PATENT REFORM ACT OF 2007

SEPTEMBER 4, 2007.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. CONYERS, from the Committee on the Judiciary, submitted the following

R E P O R T

[To accompany H.R. 1908]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 1908) to amend title 35, United States Code, to provide for patent reform, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

CONTENTS

	Page
The Amendment	1
Purpose and Summary	20
Background and Need for the Legislation	21
Hearings	46
Committee Consideration	49
Committee Votes	50
Committee Oversight Findings	50
New Budget Authority and Tax Expenditures	50
Congressional Budget Office Cost Estimate	50
Performance Goals and Objectives	55
Constitutional Authority Statement	55
Advisory on Earmarks	55
Section-by-Section Analysis	55
Changes in Existing Law Made by the Bill, as Reported	88

THE AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

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

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

59–006

Sec. 1. Short title; table of contents.
Sec. 2. Reference to title 35, United States Code.
Sec. 3. Right of the first inventor to file.
Sec. 4. Inventor's oath or declaration.
Sec. 5. Right of the inventor to obtain damages.
Sec. 6. Post-grant procedures and other quality enhancements.
Sec. 7. Definitions; patent trial and appeal board.
Sec. 8. Study and report on reexamination proceedings.
Sec. 9. Submissions by third parties and other quality enhancements.
Sec. 10. Tax planning methods not patentable.
Sec. 11. Venue and jurisdiction.
Sec. 12. Additional information; inequitable conduct as defense to infringement.
Sec. 13. Best mode requirement.
Sec. 14. Regulatory authority.
Sec. 15. Technical amendments.
Sec. 16. Study of special masters in patent cases.
Sec. 17. Rule of construction.

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

Whenever in this Act a section or other provision is amended or repealed, that amendment or repeal shall be considered to be made to that section or other provision of title 35, United States Code.

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

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

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

"(g) The terms 'joint inventor' and 'coinventor' mean any one of the individuals who invented or discovered the subject matter of a joint invention.

"(h) The 'effective filing date of a claimed invention' is—

"(1) the filing date of the patent or the application for patent containing the claim to the invention; or

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

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

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

(b) CONDITIONS FOR PATENTABILITY.—

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

"§ 102. Conditions for patentability; novelty

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

"(1) the claimed invention was patented, described in a printed publication, in public use, or on sale—

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

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

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

"(b) EXCEPTIONS.—

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

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

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

"(B) the subject matter had been publicly disclosed by the inventor or a joint inventor or others who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor before the date on which the application or patent referred to in subsection (a)(2) was effectively filed; or

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

"(3) JOINT RESEARCH AGREEMENT EXCEPTION.—

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

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

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

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

"(B) For purposes of subparagraph (A), the term 'joint research agreement' means a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.

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

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

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

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

"102. Conditions for patentability; novelty.".

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

"§ 103. Conditions for patentability; nonobvious subject matter

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

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

(e) REPEAL OF STATUTORY INVENTION REGISTRATION.—

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

(2) REMOVAL OF CROSS REFERENCES.—Section 111(b)(8) is amended by striking "sections 115, 131, 135, and 157" and inserting "sections 131 and 135".

(f) EARLIER FILING DATE FOR INVENTOR AND JOINT INVENTOR.—Section 120 is amended by striking "which is filed by an inventor or inventors named" and inserting "which names an inventor or joint inventor".

(g) CONFORMING AMENDMENTS.—

(1) RIGHT OF PRIORITY.—Section 172 is amended by striking "and the time specified in section 102(d)".

(2) LIMITATION ON REMEDIES.—Section 287(c)(4) 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 is amended by striking "except as otherwise provided in section 102(e) of this title".

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

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

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

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

(A) in paragraph (2)—

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

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

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

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

(i) ACTION FOR CLAIM TO PATENT ON DERIVED INVENTION.—

(1) IN GENERAL.—Section 135(a) is amended to read as follows:

"(a) DISPUTE OVER RIGHT TO PATENT.—

"(1) INSTITUTION OF DERIVATION PROCEEDING.—

"(A) REQUEST FOR PROCEEDING.—An applicant may request initiation of a derivation proceeding to determine the right of the applicant to a patent by filing a request that sets forth with particularity the basis for finding that another applicant derived the claimed invention from the applicant requesting the proceeding and, without authorization, filed an application claiming such invention. Any such request—

"(i) may only be made within 12 months after the earlier of—

"(I) the date on which a patent is issued containing a claim that is the same or substantially the same as the claimed invention; or

"(II) the date of first publication of an application containing a claim that is the same or is substantially the same as the claimed invention; and

"(ii) must be made under oath, and must be supported by substantial evidence.

"(B) DETERMINATION OF DIRECTOR.— Whenever the Director determines that patents or applications for patent naming different individuals as the inventor interfere with one another because of a dispute over the right to patent under section 101 on the basis of a request under subparagraph (A), the Director shall institute a derivation proceeding for the purpose of determining which applicant is entitled to a patent.

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

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

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

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

"(3) DERIVATION PROCEEDING.—The Patent Trial and Appeal Board may defer action on a request to initiate a derivation proceeding for up to three months after the date on which the Director issues a patent to the applicant that filed the earlier application.

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

(2) CONFORMING AMENDMENTS.—(A) Section 135 is further amended—

(i) in subsection (b)—

(I) by striking "(b)(1) A claim" and inserting the following:

"(b) SAME CLAIMS.—

"(1) ISSUED PATENTS.—A claim"; and

(II) by striking "(2) A claim" and inserting the following:

"(2) PUBLISHED APPLICATIONS.—A claim"; and

(III) moving the remaining text of paragraphs (1) and (2) 2 ems to the right;

(ii) in subsection (c)—

(I) by striking "(c) Any agreement" and inserting the following:

"(c) AGREEMENTS TO TERMINATE PROCEEDINGS.—

"(1) IN GENERAL.—Any agreement";

(II) by striking "an interference" and inserting "a derivation proceeding";

(III) by striking "the interference" each place it appears and inserting "the derivation proceeding";

(IV) in the second paragraph, by striking "The Director" and inserting the following:

"(2) NOTICE.—The Director";

(V) by amending the third paragraph to read as follows:

"(3) JUDICIAL REVIEW.—Any discretionary action of the Director under this subsection shall be reviewable under chapter 7 of title 5."; and

(VI) by moving the remaining text of paragraphs (1) and (2) of subsection (c) 2 ems to the right; and

(iii) in subsection (d)—

(I) by striking "(d) Parties" and inserting "(d) ARBITRATION.—Parties";

(II) by striking "a patent interference" and inserting "a derivation proceeding"; and

(III) by striking "the interference" and inserting "the derivation proceeding".

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

(2) Section 141 is amended—

(A) by striking "an interference" and inserting "a derivation proceeding"; and

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

(3) Section 146 is amended—

(A) in the first paragraph—

(i) by striking "Any party" and inserting "(a) IN GENERAL.—Any party";

(ii) by striking "an interference" and inserting "a derivation proceeding"; and

(iii) by striking "interference" each additional place it appears and inserting "derivation proceeding"; and

(B) in the second paragraph, by striking "Such suit" and inserting "(b) PROCEDURE.—A suit under subsection (a)"

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

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

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

"§ 135. Derivation proceedings".

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

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

(7) Section 154(b)(1)(C) is amended by striking "INTERFERENCES" and inserting "DERIVATION PROCEEDINGS".

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

"6. Patent Trial and Appeal Board.".

(9) The items relating to sections 134 and 135 in the table of sections for chapter 12 are amended to read as follows:

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

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

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

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

"(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to patent applications, derivation proceedings, and post-grant review proceedings, at the instance of an applicant for a patent or any party to a patent interference (commenced before the effective date provided in section 3(k) of the Patent Reform Act of 2007), derivation proceeding, or post-grant review proceeding, and any such appeal shall waive any right of such applicant or party to proceed under section 145 or 146 of title 35;".

(k) EFFECTIVE DATE.—

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

(A) shall take effect 90 days after the date on which the President transmits to the Congress a finding that major patenting authorities have adopted a grace period having substantially the same effect as that contained under the amendments made by this section; and

(B) shall apply to all applications for patent that are filed on or after the effective date under subparagraph (A).

(2) DEFINITIONS.—In this subsection:

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

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

(C) EFFECTIVE FILING DATE.—The term "effective filing date of a claimed invention" means, with respect to a patenting authority in another country, a date equivalent to the effective filing date of a claimed invention as defined in section 100(h) of title 35, United States Code, as added by subsection (a) of this section.

(l) REVIEW EVERY 7 YEARS.—Not later than the end of the 7-year period beginning on the effective date under subsection (k), and the end of every 7-year period thereafter, the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (in this subsection referred to as the "Director") shall—

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

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

SEC. 4. INVENTOR'S OATH OR DECLARATION.

(a) INVENTOR'S OATH OR DECLARATION.—

(1) IN GENERAL.—Section 115 is amended to read as follows:

"§ 115. Inventor's oath or declaration

"(a) NAMING THE INVENTOR; INVENTOR'S OATH OR DECLARATION.—An application for patent that is filed under section 111(a), that commences the national stage under section 363, or that is filed by an inventor for an invention for which an application has previously been filed under this title by that inventor shall include, or be amended to include, the name of the inventor of any claimed invention in the application. Except as otherwise provided in this section, 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 by an individual under subsection (a) shall contain statements that—

"(1) the application was made or was authorized to be made by individual; and

"(2) the 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 and has refused to make the oath or declaration required under subsection (a).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"(i) ACKNOWLEDGMENT OF PENALTIES.—Any declaration or statement filed under this section must contain an acknowledgment that any willful false statement is punishable by fine or imprisonment, or both, under section 1001 of title 18.".

(2) RELATIONSHIP TO DIVISIONAL APPLICATIONS.—Section 121 is amended by striking "If a divisional application" and all that follows through "inventor.".

(3) REQUIREMENTS FOR NONPROVISIONAL APPLICATIONS.—Section 111(a) is amended—

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

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

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

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

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

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

"§ 118. Filing by other than inventor

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

(c) SPECIFICATION.—Section 112 is amended—

(1) in the first paragraph——

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

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

(2) in the second paragraph—

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

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

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

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

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

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

(d) EFFECTIVE DATE.—The amendments made by this section—

(1) shall take effect at the end of the 1-year period beginning on the date of the enactment of this Act; and

(2) shall apply to any application for patent, or application for reissue patent, that is filed on or after the effective date under paragraph (1).

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

(a) DAMAGES.—Section 284 is amended—

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

(2) by designating the second undesignated paragraph as subsection (c);

(3) by inserting after subsection (a) (as designated by paragraph (1) of this subsection) the following:

"(b) REASONABLE ROYALTY.—

"(1) IN GENERAL.— An award pursuant to subsection (a) that is based upon a reasonable royalty shall be determined in accordance with this subsection. Based on the facts of the case, the court shall determine whether paragraph (2), (3), or (5) will be used by the court or the jury in calculating a reasonable royalty. The court shall identify the factors that are relevant to the determination of a reasonable royalty under the applicable paragraph, and the court or jury, as the case may be, shall consider only those factors in making the determination.

"(2) RELATIONSHIP OF DAMAGES TO CONTRIBUTIONS OVER PRIOR ART.—The court shall conduct an analysis to ensure that a reasonable royalty under subsection (a) is applied only to that economic value properly attributable to the patent's specific contribution over the prior art. The court shall exclude from the analysis the economic value properly attributable to the prior art, and other features or improvements, whether or not themselves patented, that contribute economic value to the infringing product or process.

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

"(4) COMBINATION INVENTIONS.—For purposes of paragraphs (2) and (3), in the case of a combination invention the elements of which are present individually in the prior art, the patentee may show that the contribution over the prior art may include the value of the additional function resulting from the

combination, as well as the enhanced value, if any, of some or all of the prior art elements resulting from the combination.

"(5) OTHER FACTORS.—In determining a reasonable royalty, the court may also consider, or direct the jury to consider, the terms of any nonexclusive marketplace licensing of the invention, where appropriate, as well as any other relevant factors under applicable law.";

(4) by amending subsection (c) (as designated by paragraph (1) of this subsection) to read as follows:

"(c) WILLFUL INFRINGEMENT.—

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

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

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

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

"(ii) identifying with particularity each claim of the patent, each product or process that the patent owner alleges infringes the patent, and the relationship of such product or process to such claim,

the infringer, after a reasonable opportunity to investigate, thereafter performed one or more of the alleged acts of infringement;

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

"(C) after having been found by a court to have infringed that patent, the infringer engaged in conduct that was not colorably different from the conduct previously found to have infringed the patent, and that resulted in a separate finding of infringement of the same patent.

"(3) LIMITATIONS ON WILLFULNESS.—(A) A court may not find that an infringer has willfully infringed a patent under paragraph (2) for any period of time during which the infringer had an informed good faith belief that the patent was invalid or unenforceable, or would not be infringed by the conduct later shown to constitute infringement of the patent.

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

"(i) reasonable reliance on advice of counsel;

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

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

"(C) The decision of the infringer not to present evidence of advice of counsel is not relevant to a determination of willful infringement under paragraph (2).

"(4) LIMITATION ON PLEADING.—Before the date on which a court determines that the patent in suit is not invalid, is enforceable, and has been infringed by the infringer, a patentee may not plead and a court may not determine that an infringer has willfully infringed a patent. The court's determination of an infringer's willfulness shall be made without a jury."; and

(5) in the third undesignated paragraph, by striking "The court" and inserting "(d) EXPERT TESTIMONY.—The court".

(b) DEFENSE TO INFRINGEMENT BASED ON EARLIER INVENTOR.—Section 273 is amended—

(1) in subsection (a)—

(A) in paragraph (1)—

(i) by striking "of a method"; and

(ii) by striking "review period;" and inserting "review period; and";

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

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

(2) in subsection (b)—

(A) in paragraph (1)—

(i) by striking "for a method"; and

(ii) by striking "at least 1 year before the effective filing date of such patent, and" and all that follows through the period and inserting "and commercially used, or made substantial preparations for commer-

cial use of, the subject matter before the effective filing date of the claimed invention.";

(B) in paragraph (2)—

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

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

(C) in paragraph (3)—

(i) by striking subparagraph (A); and

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

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

(3) by amending the heading to read as follows:

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

(c) TABLE OF SECTIONS.—The item relating to section 273 in the table of sections for chapter 28 is amended to read as follows:

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

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

(e) REVIEW EVERY 7 YEARS.—Not later than the end of the 7-year period beginning on the date of the enactment of this Act, and the end of every 7-year period thereafter, the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (in this subsection referred to as the "Director") shall—

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

(2) submit to the Committees on the Judiciary of the House of Representatives and the Senate a report on the results of the study, including any recommendations the Director has on amendments to the law and other recommendations of the Director with respect to the right of the inventor to obtain damages for patent infringement.

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

(a) CITATION OF PRIOR ART.—

(1) IN GENERAL.—Section 301 is amended to read as follows:

"§ 301. Citation of prior art

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

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

"(2) written statements of the patent owner filed in a proceeding before a Federal court or the Patent and Trademark Office in which the patent owner takes a position on the scope of one or more patent claims.

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

"(c) PROCEDURES FOR WRITTEN STATEMENTS.—

"(1) SUBMISSION OF ADDITIONAL MATERIALS.—A party that submits written statements under subsection (a)(2) in a proceeding shall include any other documents, pleadings, or evidence from the proceeding that address the patent owner's statements or the claims addressed by the written statements.

"(2) LIMITATION ON USE OF STATEMENTS.—Written statements submitted under subsection (a)(2) shall not be considered for any purpose other than to determine the proper meaning of the claims that are the subject of the request in a proceeding ordered pursuant to section 304 or 313. Any such written statements, and any materials submitted under paragraph (1), that are subject to an applicable protective order shall be redacted to exclude information subject to the order.

"(d) IDENTITY WITHHELD.—Upon the written request of the person citing prior art or written statements under subsection (a), the person's identity shall be excluded from the patent file and kept confidential.".

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

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

(c) CONDUCT OF INTER PARTES PROCEEDINGS.—Section 314 is amended—

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

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

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

(3) by adding at the end the following:

"(d) ORAL HEARING.—At the request of a third party requestor or the patent owner, the administrative patent judge shall conduct an oral hearing, unless the judge finds cause lacking for such hearing.".

(d) ESTOPPEL.—Section 315(c) is amended by striking "or could have raised".

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

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

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

(f) POST-GRANT OPPOSITION PROCEDURES.—

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

"CHAPTER 32—POST-GRANT REVIEW PROCEDURES

"Sec.
"321. Petition for post-grant review.
"322. Timing and bases of petition.
"323. Requirements of petition.
"324. Prohibited filings.
"325. Submission of additional information; showing of sufficient grounds.
"326. Conduct of post-grant review proceedings.
"327. Patent owner response.
"328. Proof and evidentiary standards.
"329. Amendment of the patent.
"330. Decision of the Board.
"331. Effect of decision.
"332. Settlement.
"333. Relationship to other pending proceedings.
"334. Effect of decisions rendered in civil action on post-grant review proceedings.
"335. Effect of final decision on future proceedings.
"336. Appeal.

"§ 321. Petition for post-grant review

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

"§ 322. Timing and bases of petition

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

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

"(2) the patent owner consents in writing to the proceeding.

"§ 323. Requirements of petition

"A cancellation petition filed under section 321 may be considered only if—

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

"(2) the petition identifies the cancellation petitioner; and

"(3) the petition sets forth in writing the basis for the cancellation, identifying each claim challenged and providing such information as the Director may require by regulation, and includes copies of patents and printed publications that the cancellation petitioner relies upon in support of the petition; and

"(4) the petitioner provides copies of those documents to the patent owner or, if applicable, the designated representative of the patent owner.

"§ 324. Prohibited filings

"A post-grant review proceeding may not be instituted under section 322 if the petition for cancellation requesting the proceeding identifies the same cancellation petitioner and the same patent as a previous petition for cancellation filed under such section.

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

"(a) IN GENERAL.—The cancellation petitioner shall file such additional information with respect to the petition as the Director may require. For each petition submitted under section 321, the Director shall determine if the written statement, and any evidence submitted with the request, establish that a substantial question of patentability exists for at least one claim in the patent. The Director may initiate a post-grant review proceeding if the Director determines that the information presented provides sufficient grounds to believe that there is a substantial question of patentability concerning one or more claims of the patent at issue.

"(b) NOTIFICATION; DETERMINATIONS NOT REVIEWABLE.—The Director shall notify the patent owner and each petitioner in writing of the Director's determination under subsection (a), including a determination to deny the petition. The Director shall make that determination in writing not later than 60 days after receiving the petition. Any determination made by the Director under subsection (a), including whether or not to institute a post-grant review proceeding or to deny the petition, shall not be reviewable.

"§ 326. Conduct of post-grant review proceedings

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

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

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

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

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

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

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

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

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

"(5) may provide for protective orders governing the exchange and submission of confidential information; and

"(6) shall ensure that any information submitted by the patent owner in support of any amendment entered under section 329 is made available to the public as part of the prosecution history of the patent.

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

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

"§ 327. Patent owner response

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

"§ 328. Proof and evidentiary standards

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

"(b) BURDEN OF PROOF.—The party advancing a proposition under this chapter shall have the burden of proving that proposition by a preponderance of the evidence.

"§ 329. Amendment of the patent

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

"(1) Cancel any challenged patent claim.

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

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

"(b) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted only for good cause shown.

"(c) SCOPE OF CLAIMS.—An amendment under this section may not enlarge the scope of the claims of the patent or introduce new matter.

"§ 330. Decision of the Board

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

"§ 331. Effect of decision

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

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

"§ 332. Settlement

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

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

"§ 333. Relationship to other pending proceedings

"(a) IN GENERAL.—Notwithstanding subsection 135(a), sections 251 and 252, and chapter 30, the Director may determine the manner in which any reexamination proceeding, reissue proceeding, interference proceeding (commenced before the effective date provided in section 3(k) of the Patent Reform Act of 2007), derivation proceeding, or post-grant review proceeding, that is pending during a post-grant review proceeding, may proceed, including providing for stay, transfer, consolidation, or termination of any such proceeding.

"(b) STAYS.—The Director may stay a post-grant review proceeding if a pending civil action for infringement addresses the same or substantially the same questions of patentability.

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

"If a final decision is entered against a party in a civil action arising in whole or in part under section 1338 of title 28 establishing that the party has not sustained its burden of proving the invalidity of any patent claim—

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

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

"§ 335. Effect of final decision on future proceedings

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

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

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

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

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

"§ 336. Appeal

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

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

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

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

(i) EFFECTIVE DATES.—

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

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

(3) APPLICABILITY TO POST-GRANT PROCEEDINGS.—The amendments made by subsection (f) shall apply to patents issued on or after the effective date under paragraph (1).

(j) REGULATIONS.—

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

(2) PENDING INTERFERENCES.—The Director shall determine the procedures under which interferences under title 35, United States Code, that are com-

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

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

(a) DEFINITIONS.—Section 100 (as amended by this Act) is further amended by adding at the end the following:

"(k) The term 'cancellation petitioner' means the real party in interest requesting cancellation of any claim of a patent under chapter 32 of this title and the privies of the real party in interest.".

(a) PATENT TRIAL AND APPEAL BOARD.—Section 6 is amended to read as follows:

"§ 6. Patent Trial and Appeal Board

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

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

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

"(2) on written appeal of a patent owner, review adverse decisions of examiners upon patents in reexamination proceedings under chapter 30;

"(3) review appeals by patent owners and third-party requesters under section 315;

"(4) determine priority and patentability of invention in derivation proceedings under section 135(a); and

"(5) conduct post-grant opposition proceedings under chapter 32.

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

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect at the end of the 1-year period beginning on the date of the enactment of this Act.

SEC. 8. STUDY AND REPORT ON REEXAMINATION PROCEEDINGS.

The Under Secretary of Commerce for Intellectual Property and Director of the Patent and Trademark Office shall, not later than 2 years after the date of the enactment of this Act—

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

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

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

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

(1) by striking subparagraph (B); and

(2) in subparagraph (A)—

(A) by striking "(A) An application" and inserting "An application"; and

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

(b) PREISSUANCE SUBMISSIONS BY THIRD PARTIES.—Section 122 is amended by adding at the end the following:

"(e) PREISSUANCE SUBMISSIONS BY THIRD PARTIES.—

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

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

"(B) either—

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

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

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

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

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

"(C) include a statement by the submitter affirming that the submission was made in compliance with this section.".

(c) EFFECTIVE DATE.—The amendments made by this section—

(1) shall take effect at the end of the 1-year period beginning on the date of the enactment of this Act; and

(2) shall apply to any application for patent filed before, on, or after the effective date under paragraph (1).

SEC. 10. TAX PLANNING METHODS NOT PATENTABLE.

(a) IN GENERAL.—Section 101 is amended—

(1) by striking "Whoever" and inserting "(a) PATENTABLE INVENTIONS.—Whoever"; and

(2) by adding at the end the following:

"(b) TAX PLANNING METHODS.—

"(1) UNPATENTABLE SUBJECT MATTER.—A patent may not be obtained for a tax planning method.

"(2) DEFINITIONS.—For purposes of paragraph (1)—

"(A) the term 'tax planning method' means a plan, strategy, technique, or scheme that is designed to reduce, minimize, or defer, or has, when implemented, the effect of reducing, minimizing, or deferring, a taxpayer's tax liability, but does not include the use of tax preparation software or other tools used solely to perform or model mathematical calculations or prepare tax or information returns;

"(B) the term 'taxpayer' means an individual, entity, or other person (as defined in section 7701 of the Internal Revenue Code of 1986) that is subject to taxation directly, is required to prepare a tax return or information statement to enable one or more other persons to determine their tax liability, or is otherwise subject to a tax law;

"(C) the terms 'tax', 'tax laws', 'tax liability', and 'taxation' refer to any Federal, State, county, city, municipality, or other governmental levy, assessment, or imposition, whether measured by income, value, or otherwise; and

"(D) the term 'State' means each of the several States, the District of Columbia, and any commonwealth, territory, or possession of the United States.".

(b) APPLICABILITY.—The amendments made by this section—

(1) shall take effect on the date of the enactment of this Act;

(2) shall apply to any application for patent or application for a reissue patent that is—

(A) filed on or after the date of the enactment of this Act; or

(B) filed before that date if a patent or reissue patent has not been issued pursuant to the application as of that date; and

(3) shall not be construed as validating any patent issued before the date of the enactment of this Act for an invention described in section 101(b) of title 35, United States Code, as amended by this section.

SEC. 11. VENUE AND JURISDICTION.

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

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

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

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

subsidiary has its principal place of business or in the location or place in which the defendants primary United States subsidiary is incorporated;

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

"(3) where the primary plaintiff resides, if the primary plaintiff in the action is an institution of higher education as defined under section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)); or

"(4) where the plaintiff resides, if the plaintiff or a subsidiary of the plaintiff has an established physical facility in such district dedicated to research, development, or manufacturing that is operated by full-time employees of the plaintiff or such subsidiary, or if the sole plaintiff in the action is an individual inventor who is a natural person and who qualifies at the time such action is filed as a micro entity under section 124 of title 35.

"(d) If the plaintiff brings a civil action for patent infringement in a judicial district under subsection (c), the district court may transfer that action to any other district or division where—

"(1) the defendant has substantial evidence or witnesses; and

"(2) venue would be appropriate under section 1391 of this title, if such transfer would be appropriate under section 1404 of this title.".

(b) INTERLOCUTORY APPEALS.—Subsection (c) of section 1292 of title 28, United States Code, is amended—

(1) by striking "and" at the end of paragraph (1);

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

(3) by adding at the end the following:

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

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

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

SEC. 12. ADDITIONAL INFORMATION; INEQUITABLE CONDUCT AS DEFENSE TO INFRINGEMENT.

(a) DISCLOSURE REQUIREMENTS FOR APPLICANTS.—

(1) IN GENERAL.—Chapter 11 is amended by adding at the end the following new section:

"§ 123. Additional information

"(a) IN GENERAL.—The Director shall, by regulation, require that applicants submit a search report and other information and analysis relevant to patentability. An application shall be regarded as abandoned if the applicant fails to submit the required search report, information, and analysis in the manner and within the time period prescribed by the Director.

"(b) EXCEPTION FOR MICRO ENTITIES.—Applications from micro-entities shall not be subject to the requirements of regulations issued under subsection (a).

"§ 124. Micro entities

"(a) DEFINITION.—For purposes of this title, the term 'micro entity' means an applicant for patent who makes a certification under either subsection (b) or (c).

"(b) UNASSIGNED APPLICATION.—A certification under this subsection is a certification by each inventor named in the application that the inventor—

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

"(2) has not been named on five or more previously filed patent applications;

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

"(4) does not have a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986, exceeding 2.5 times the median household income, as reported by the Bureau of the Census, for the most recent calendar year preceding the calendar year in which the examination fee is being paid.

"(c) ASSIGNED APPLICATION.—A certification under this subsection is a certification by each inventor named in the application that the inventor—

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

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

"(3) has assigned, granted, conveyed, or is under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the application to an entity that has five or fewer employees and has a gross taxable income, as defined in section 61(a) of the Internal Revenue Code of 1986, that does not exceed 2.5 times the median household income, as reported by the Bureau of the Census, for the most recent calendar year preceding the calendar year in which the examination fee is being paid.".

(2) CONFORMING AMENDMENT.—The table of sections for chapter 11 is amended by adding at the end the following new items:

"123. Additional information.
"124. Micro entities.".

(b) INEQUITABLE CONDUCT AS DEFENSE TO INFRINGEMENT.—Section 282 is amended—

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

(2) in the second undesignated paragraph—

(A) by striking "The following" and inserting "(b) DEFENSES.—The following"; and

(B) by striking the comma at the end of each of paragraphs (1), (2), and (3) and inserting a period;

(3) in the third undesignated paragraph—

(A) by striking "In actions" and inserting "(d) NOTICE OF ACTIONS; PLEADING.—In actions";

(B) by inserting after the second sentence the following: "In an action involving any allegation of inequitable conduct under subsection (c), the party asserting this defense or claim shall comply with the pleading requirements set forth in Rule 9(b) of the Federal Rules of Civil Procedure."; and

(C) by striking "Invalidity" and inserting "(e) EXTENSION OF PATENT TERM.—Invalidity"; and

(4) by inserting after subsection (b), as designated by paragraph (2) of this subsection, the following:

"(c) INEQUITABLE CONDUCT.—

"(1) DEFENSE.—A patent may be held to be unenforceable, or other remedy imposed under paragraph (3), for inequitable conduct only if it is established, by clear and convincing evidence, that—

"(A) the patentee, its agents, or another person with a duty of disclosure to the Office, with the intent to mislead or deceive the patent examiner, misrepresented or failed to disclose material information concerning a matter or proceeding before the Office; and

"(B) in the absence of such deception, the Office, acting reasonably, would, on the record before it, have made a prima facie finding of unpatentability.

"(2) INTENT.—In order to prove intent to mislead or deceive under paragraph (1), specific facts beyond materiality of the information submitted or not disclosed must be proven that support an inference of intent to mislead or deceive the Patent and Trademark Office. Facts support an inference of intent if they show circumstances that indicate conscious or deliberate behavior on the part of the patentee, its agents, or another person with a duty of disclosure to the Office, to not disclose material information or to submit materially false information.

"(3) REMEDY.—Upon a finding of inequitable conduct, the court shall balance the equities to determine which of the following remedies to impose:

"(A) Denying equitable relief to the patent holder and limiting the remedy for infringement to damages.

"(B) Holding the claims-in-suit, or the claims in which inequitable conduct occurred, unenforceable.

"(C) Holding the patent unenforceable.

"(D) Holding the claims of a related patent unenforceable.

"(4) ATTORNEY MISCONDUCT.—Upon a finding of inequitable conduct, if there is evidence that the conduct can be attributable to a person or persons authorized to practice before the Office, the court shall refer the matter to the Office for appropriate disciplinary action under section 32, and shall order the parties to preserve and make available to the Office any materials that may be relevant to the determination under section 32.".

(c) EFFECTIVE DATE.—

(1) SUBSECTION (a).—The amendments made by subsection (a)—

(A) shall take effect at the end of the 1-year period beginning on the date of the enactment of this Act; and

(B) shall apply to any application for patent filed on or after the effective date under subparagraph (A).

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to any civil action commenced on or after the date of the enactment of this Act.

SEC. 13. BEST MODE REQUIREMENT.

Section 282(b) (as designated by section 12(b) of this Act) is amended 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 of this title, other than the requirement that the specification shall set forth the best mode contemplated by the inventor of carrying out his invention; or

"(B) any requirement of section 251 of this title.".

SEC. 14. REGULATORY AUTHORITY.

(a) REGULATORY AUTHORITY.—Section 2(c) is amended by adding at the end the following:

"(6) The powers granted under paragraph (2) of subsection (b) include the authority to promulgate regulations to ensure the quality and timeliness of applications and their examination, including specifying circumstances under which an application for patent may claim the benefit under sections 120, 121 and 365(c) of the filing date of a prior filed application for patent.".

(b) CLARIFICATION.—The amendment made by subsection (a) clarifies the scope of power granted to the United States Patent and Trademark Office by paragraph (2) of section 2(b) of title 35, United States Code, as in effect since the enactment of Public Law 106–113.

SEC. 15. TECHNICAL AMENDMENTS.

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

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

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

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

(b) FILING OF APPLICATION IN FOREIGN COUNTRY.—Section 184 is amended—

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

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

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

(c) REISSUE OF DEFECTIVE PATENTS.—Section 251 is amended—

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

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

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

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

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

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

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

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

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

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

(f) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

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

(a) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Director of the Administrative Office of the United States Courts shall conduct a study of, and submit to the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate a report on, the use of special masters in patent litigation who are appointed in accordance with Rule 53 of the Federal Rules of Civil Procedure.

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

(c) FACTORS TO CONSIDER.—In conducting the study under subsection (a), the Director, in consultation with the Federal Judicial Center, shall consider—

(1) the basis upon which courts appoint special masters under Rule 53(b) of the Federal Rules of Civil Procedure;

(2) the frequency with which special masters have been used by the courts;

(3) the role and powers special masters are given by the courts;

(4) the subject matter at issue in cases that use special masters;

(5) the impact on court time and costs in cases where a special master is used as compared to cases where no special master is used;

(6) the legal and technical training and experience of special masters;

(7) whether the use of special masters has an impact on the reversal rate of district court decisions at the Court of Appeals for the Federal Circuit; and

(8) any other factors that the Director believes would assist in gauging the effectiveness of special masters in patent litigation.

SEC. 17. RULE OF CONSTRUCTION.

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

PURPOSE AND SUMMARY

The purpose H.R. 1908, the "Patent Reform Act of 2007," is to address several problems in the patent system that hinder the ability of patents to promote future innovation. These problems deal primarily with the rampant issuance of poor-quality patents, abusive practices particular to patent litigation, and inefficiencies that are a result of the lack of harmonization between patent law in the United States and the rest of the world. Among the many agencies and groups calling for some form of patent reform include the United States Patent and Trademark Office (USPTO), the Federal Trade Commission (FTC), the National Academy of Science, the Intellectual Property Owners Association, the American Bar Association Intellectual Property Division, the American Intellectual Property Law Association, and businesses representing every sector of industry.

The reforms included in H.R. 1908, are the creation of a post-grant review procedure as a check on poor-quality patents, defining how courts are to apportion damages in patent infringement cases so that awards reflect patent value, clarification of when treble damages may be awarded in order to prevent patent hold-ups, updating *inter partes* reexamination to promote greater use of the procedure, eliminating so-called "submarine patents" by requiring 18-month publication for all patent applications, allowing third parties to submit prior art during patent prosecution as a further check against poor-quality patents, codifying the doctrine of inequi-

table conduct in order to stem its overuse, clarifying the extent the USPTO's regulatory authority, switching the United States patent system to a first-inventor-to-file system in order to promote harmonization, and creating prior user rights as a means to mitigate the change in the scope of prior art required by a first-inventor-to-file system.

BACKGROUND AND NEED FOR THE LEGISLATION

Patents are provided to inventors as an incentive to advance the state of knowledge and to develop innovative products and services. They do this by granting inventors exclusive rights to their inventions for a limited period. In exchange for the temporary monopoly right, inventors are required to disclose to society the knowledge behind their inventions. This social bargain is enshrined in the Constitution, which empowers Congress to "promote the progress of . . . science and the useful arts . . . by securing for limited times to . . . inventors the exclusive right to their . . . discoveries." [1]

Over the last several years, agencies like the USPTO and FTC, the National Academy of Science, professional organizations, industry coalitions, economists, academics and others have identified significant problems in the patent system. These problems boil down to two main areas—the issuance of poor-quality patents and abusive practices particular to patent litigation. These problems have hindered the ability of patents to spur innovation today and have put at risk future innovation. H.R. 1908, the Patent Reform Act of 2007, is designed to address several of the problems identified in the United States patent system and modernize it for the 21st Century.

The Patent Reform Act of 2007 affects several parts of our patent law. The most significant changes pertain to the first-inventor-to-file system, the inventor's oath requirement, apportionment of damages, willful infringement, prior user rights, reexamination generally, *ex parte* reexamination, *inter partes* reexamination, post-grant review, 18 month publication of patent applications, prior art submissions by third parties, tax patents, venue, interlocutory appeals, applicant disclosure requirements, inequitable conduct, best mode and USPTO regulatory authority. Background for each of these topics is provided below.

FIRST-INVENTOR-TO-FILE SYSTEM

The United States is the only major industrialized country to maintain a first-to-invent patent system. In such a system, priority to a patent for an invention is awarded to the first inventor. However, often times, especially in cases of dispute over the invention date or who invented first, two complex issues can arise that leave in doubt whether the applicant has the right to the patent. The first relates to "prior art"—information already available to the public at the time a patent is sought. If the invention already appears in the prior art, or is made obvious by it, then the patentee cannot receive a patent. But if prior art that defeats the patent application is found by the United States Patent and Trademark Office (USPTO) during examination, an applicant may prove that the invention was conceived and reduced to practice at a date earlier

[1] U.S. Const., Art. 1, § 8, Cl. 8.

than the prior art date, unless the prior art was available more than 1 year before the application filing date. This process is called "swearing back" and is intended to allow an inventor to prove he was the first to come up with the invention. Maintaining sufficient proof to swear back requires the inventor to keep detailed records of all activities leading up to the invention and can be quite a burden to demonstrate when required. Second, where there are two or more applications that claim the same invention, priority to the patent is awarded to the inventor who can demonstrate the earliest conception of the invention in an administrative proceeding called an interference. Again, this process permits the first inventor to show that he was indeed the first to come up with the invention. Here again, inventors need to keep detailed records of all activities leading up to invention in order to furnish proof of invention date. These characteristics of a first-to-invent patent system leave in doubt whether an applicant will actually have the right to patent his invention.

In all other countries in the world, priority to a patent for an invention is awarded to the first person to file a patent application for the invention. These systems are aptly referred to as first-to-file systems. In such systems, one need not prove the date of invention. A second or subsequent inventor may secure the patent right in an invention if this person was the first to submit a patent application on the invention. Also, any prior art references adequately discloses the invention and predates that invention's application date will invalidate the patent for the invention. A first-to-file system is not only more streamlined but also gives inventors and the public a clearer idea of whether they have the right to patent their inventions.

There are compelling reasons for the United States to switch to a first-inventor-to-file system.[2] As discussed above, maintaining a first-to-invent system requires interference proceedings to determine who among two or more inventors to the same invention is entitled to the patent right. According to a recent study by National Research Council (NRC),[3] these interference proceedings are "costly and very protracted," and in general are not worth maintaining. The NRC estimates that on average it costs between $750,000 and $1,000,000 to participate in an interference proceeding. Costs such as these disadvantage small inventors who may not have the resources to initiate an interference proceeding, and thus undermines any argument that a first-to-invent patent system is fairer than a first-inventor-to file patent system. Furthermore, a detailed review of patents issued from 1983 through 2004 showed that greater than 50% of interference decisions disadvantaged small entities.[4]

The NRC Report also points out that as a practical matter, most applicants simply use their date of application as their date of invention, and therefore most applicants already operate as if the

[2] This report uses the term "first-inventor-to-file," rather than "first-to-file," because a patent applicant who files later than another can be awarded a patent if he demonstrates that the earlier filer was not a true inventor.

[3] National Research Council of the National Academies (hereinafter "NRC"), *A Patent System for the 21st Century* (2004) at 124.

[4] *Perspectives on Patents: Harmonization and Other Matters,* Hearings Before the Subcommittee on Intellectual Property, Senate Judiciary Committee, 109th Cong. (2005) (statement of Hon. Gerald Mossinghoff, Former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks and Senior Counsel, Oblon, Spivak, McClelland, Maier & Neustadt).

United States has a first-inventor-to-file patent system, so there would be little disruption to formally change to such a system. Likewise, statistics show that less than 1 in 1000 patent applications are ever subject to an interference proceeding. Since the first-to-invent aspects of our patent system are rarely used, serious doubt is cast on the need of having a first-to-invent system.

Many businesses have urged that the United States move to a first-inventor-to-file system. Businesses of every size seek to protect their inventions throughout the world and thus they apply for and maintain patents for the same invention in several countries. Because the basic rules relating to priority to invention are different between the United States and the rest of the world, businesses are forced to dedicate more resources to maintaining their patent portfolios than they would otherwise have to if the United States adopted a first-inventor-to-file system.

Lastly, patent harmonization is in the long-run interests of United States inventors. Greater harmonization will make it easier for United States inventors to secure patent rights in other countries. Given the increasing globalization of commerce, international patent protection will be increasingly important to the ability of United States companies to compete. Unfortunately, recent attempts to harmonize patent laws, such as through the Substantive Patent Law Treaty, have stalled, to a large extent, because of the fundamental difference between how the United States and the rest of the world award priority of invention.

The Committee has found persuasive the above reasons to move the United States patent system to a first-inventor-to-file system. As such, the legislation gives priority, in most cases, to the first inventor to file an application for patent on an invention, thus bringing United States patent system into conformity with the practices of the rest of the world. In order to fully implement this new system, changes are made to the definition and scope of prior art. Additionally, to facilitate an easy transition to a first-inventor-to-file system, the 1-year inventor's grace period is maintained and important exceptions to prior art are established, such as a first-to-publish rule that preserves an inventor's priority of application in limited circumstances where he publicly discloses his invention. The grace period and exceptions to prior art will effectively address any lingering concerns that a first-inventor-to-file system will force inventors to patent their inventions before they are ready for patenting, or disadvantage inventors whose first regular means of disclosure is through publication.

Additionally, a derivation proceeding is created to determine the right to patent in cases where an invention may have been misappropriated. There has been some concern that a first-inventor-to-file system will encourage theft of inventions by unscrupulous parties who may be able to file a patent application on the invention before the real inventor has an opportunity to do so. An inventor suffering from misappropriation can make use of the derivation proceeding even if he does not immediately know that his invention has been misappropriated. This derivation proceeding will ensure that only a true inventor, and not someone who misappropriates an invention, will be awarded the patent.

Finally, so that American inventors are not disadvantaged by the lack of an inventor's grace period in other important countries, the

implementation of these changes are conditioned on the major patent authorities in Japan and Europe adopting a similar kind of grace period.

INVENTOR'S OATH

Existing 35 U.S.C. § 115 requires an inventor (or if relevant, joint inventors) to execute an oath stating that he believes himself to be an original inventor of the claimed invention and the country of which he is a citizen. This requirement, however, does not reflect the realities of modern research. The globalization of science and technology has led to an environment of international collaborations and migrating scientists and engineers, in which it is increasingly difficult to obtain the signatures of all the inventors when filing a patent application. Often, it is at the time when the research is developed to the point at which a patent application can be prepared that one or more inventors may no longer reside in the United States.

The legislation amends § 115 to allow a substitute statement to be submitted in lieu of an inventor's oath or declaration. The statement will be required to state why an oath could not be obtained and to have a warning that any false statement would be subject to perjury charges. The amendments will provide more flexibility in completing the oath requirements, particularly in cases where it is difficult to reach an inventor who has already assigned his rights.

Existing § 118 provides that when an inventor refuses to execute an application for a patent, or cannot be found or reached after diligent effort, a person to whom the inventor has assigned or agreed in writing to assign the invention, or a person who otherwise shows sufficient proprietary interest in the matter to justify the action, may apply for a patent on behalf of and as agent for the inventor. As amended, § 118 will allow a person who has an assignment from an inventor to submit a patent application for an invention made by the inventor. If the Director permits such a filing, the patent will issue in the name of the real party in interest.

APPORTIONMENT OF DAMAGES

The right conferred by a patent on its owner is the right to exclude others from making, using, offering to sell, selling and importing a patented invention, as set forth in § 271. Whoever engages in any of those activities, or induces others to do so, without permission of the patent owner infringes the patent. The remedies for patent infringement include injunction and damages.

The basic goal of damages for infringement is to put the plaintiff patent holder in the same position (economically) as it would have been had the defendant not infringed. In other words, damages are intended to compensate plaintiff for the loss resulting from invasion of his rights; they are not intended to provide windfalls or to punish the infringer. In only limited circumstances (e.g., treble damages for willful infringement) should damages exceed the amount necessary to provide full compensation. Thus, the patent damages statute, § 284, currently provides, in pertinent part:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but

> in no event less than a reasonable royalty for the use made of the invention by the infringer . . .

Unfortunately, as the Committee has found, courts often have difficulty in assuring that damages are: 1) "to compensate for the infringement" (i.e., compensatory, not punitive); 2) "reasonable;" and 3) related to "the use made of the invention by the infringer."

"Damages adequate to compensate for the infringement" are plaintiff's loss due to infringement. In some cases, this can be ascertained by applying a lost profits analysis (such as where an infringing competitor diverts sales from plaintiff). However, circumstances often do not allow for a lost profit analysis. For instance, a lost profit analysis cannot be used where a plaintiff is not (yet) engaged in selling its patented product or process, nor has a track record of licensing the patent to others. In these situations, under § 284, the plaintiff is entitled to a "reasonable royalty" in lieu of lost profits. A "reasonableness" standard allows a fair degree of flexibility, hence uncertainty, in calculating damages.

Courts have endeavored to provide certainty and predictability to the "reasonable royalty" analysis by crafting guidelines to be used in calculating awards. In *Georgia-Pacific Corp. v. United States Plywood Corp.,* [5] the court compiled a list of 15 factors to be used as the starting point (and, often, the end point) for most reasonable royalty damage calculations. The 15 factors are complex and are designed to cover a wide range of situations among diverse technologies and market practices. Courts often simply provide juries all of *Georgia-Pacific*'s 15 *possible* factors for assessing a reasonable royalty and then direct the juries to determine a reasonable royalty without much other guidance.[6] This often results in the misapplication of these factors and damage awards that are neither just nor related to the statutory standard—compensation for "the use made of the invention by the infringer." Moreover, damage awards are seldom overturned on appeal. Because the record often fails to reveal which factors the jury used in calculating the award, it is usually hard to identify errors of law. As a result, the Federal Circuit uses a highly deferential standard:

> "The jury's award of damages is entitled to deference. Specifically, the jury's damages award must be upheld unless the amount is grossly excessive or monstrous, clearly not supported by the evidence, or based only on speculation or guesswork." [7]

Fundamentally, the economic value of a patent is determined by the marketplace. Licensing deals are heavily influenced by the consequences of infringement. Damage awards that greatly exceed plaintiff's loss have a recursive effect on license negotiations, and vice versa. A patent holder's fee demand for a license increases as damage awards escalate. Awards, in turn, reflect inflation in license fees. This results in an upward cycle of ever increasing royal-

---

[5] 318 F.Supp. 1116, 1120 (S.D.N.Y. 1970), modified 446 F.2d 295 (2d Cir. 1971).

[6] See, for example, the American of Intellectual Property Law Association's Model Patent Jury Instructions 12.15 ("In determining the value of a reasonable royalty, you may consider evidence on any of the following factors:" [listing the 15 *Georgia-Pacific* factors], plus "16. Any other economic factor that a normally prudent business person would, under similar circumstances, take into consideration in negotiating the hypothetical license "). Similar jury instructions are urged by the Federal Circuit Bar Association. and the American Bar Association's Model Jury Instructions for Patent Litigation.

[7] *Monsanto Co. v. Ralph,* 382 F.3d 1374, 1383 (Fed. Cir. 2004).

ties, both those negotiated in the market and those awarded by juries. Indeed, the Committee was presented with numerous studies showing that current litigation practices often produce a royalty award substantially in excess of a reasonable royalty. This cycle is harmful to our overall economy and especially damaging to technology innovation.

Professor John Thomas of Georgetown University Law Center has pointed to three adverse practical consequences resulting from this trend:

- "excessive awards may promote patent litigation. A rational patent proprietor may be unwilling to make fair royalty demands in the boardroom when they are able to obtain significantly higher damages awards in the courtroom;"
- "the gap between the damages awarded for patent infringement and the marketplace value of a patented invention may also encourage speculation in patents;"
- "high damages awards "may cause the scope of patent protection routinely to extend beyond the scope of its claims."

And he noted, the threat of these adverse consequences is much greater in today's "environment where high technology products increasingly embody not merely a single or handful of patented inventions, but hundreds or even thousands of them."[8] As an example, "literally thousands of patents have been identified as essential to the proposed new standards for 3G cellular telephone systems."[9] Infringement suits typically focus on one or a few patents in isolation, rather than their relative contribution to an overall product. In economic theory, each patentee seeks to capture a share of the licensee (or infringer's) surplus.[10] When the user has to pay monopoly rents for each of many patents (called "royalty stacking "), the sum of the parts can become greater than the whole. In other words, the net total damage award can be disproportionate to the patent's market utility. In some cases, it can exceed the infringer's total profit.[11]

Reasonable royalty analysis typically focuses on: 1) what the patentee could obtain in the market as a license fee for the invention, or 2) the amount of defendant's profits from sale of an infringing product. Both mechanisms have their limitations. The first is based either on an "established royalty rate" if the patent-in-suit has been licensed by the patentee or, where licensing history is lacking, on a constructed "hypothetical negotiation" between plaintiff and defendant. This can result in excessive royalties where the patent is used to block development or marketing of defendant's products. Thus, in the 3G example, a holdout patentee can extract above-market fees from potential licensees (hence, from defendant as a "hypothetical" licensee). The second approach, using the defend-

[8] *The Patent Reform Act of 2007,* Hearings Before the Subcommittee on Courts, the Internet and Intellectual Property, House Judiciary Committee, 110th Cong. (2007) (statement of John R. Thomas, Professor of Law Georgetown University Law Center Washington, D.C.).

[9] Mark A. Lemley and Carl Shapiro, *Patent Holdup and Royalty Stacking,* 85 Texas L. Rev. 1991, 1992 (2007).

[10] The FTC describes this as a "complements problem," where multiple patent holders each seek monopoly rents in exchange for their exclusive rights. Federal Trade Commission, To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy (FTC, Oct. 2003).

[11] See *State Indus. Inc. v. Mor-Flo Indus. Inc.,* 883 F.2d 1573, 1580 (Fed. Cir. 1989) ("there is no rule that a royalty be no higher than the infringer's net profit").

ant's profits as a base for reasonable royalty, can also lead to excessive damages due to the difficulty in calculating what portion of defendant's profits resulted from "the use made of the invention by the infringer."[12]

Because of the difficulty in evaluating the specific contribution a patented invention makes to defendant's profits on an infringing product, courts often use a rule known as the "Entire Market Value" to award the entirety of such profits to the plaintiff. The Entire Market Value rule was judicially created for situations where patented and unpatented components are sold and operate together as a functional unit, or where the infringed patent is the basis for customer demand" for the entire unit.[13] Unless that precondition applies, the Entire Market Value rule is inapplicable, and a court should "apportion" the infringer's profits to determine the unique contribution of the infringed patent. Like other economic calculations, apportionment is not an easy task. Despite the fact that apportionment appears as one of the *Georgia-Pacific* factors (number 13), it appears to be under-utilized. This can lead to excessive damage awards. The Committee believes this growing problem can be attributed to the lack of guidance provided to and by the courts in calculating reasonable royalty damages.

In order to ensure that damages awards are just and fairly compensate inventors, § 284 is significantly amended by providing important additional guidance for both courts and juries. First, courts will have the responsibility to determine what factors are most appropriate to use in determining a reasonable royalty in each case. The factors that courts may choose from are defined in further amendments of § 284, and include apportionment of damages, the entire market value rule, and other factors recognized as appropriate.

Apportionment of damages, as specified in the bill, should allow for reasonable royalty calculations that truly reflect the value of the invention being infringed. Apportionment is also particularly appropriate to use to confront "stacking royalties;" that is, where a product embodies numerous patented components, each requiring a license and associated royalty payments.

WILLFUL INFRINGEMENT

Under current 35 U.S.C. § 284 a "court may increase the damages up to three times the amount found or assessed." Nothing in the existing statute explicitly states on what grounds a court may increase damages in an infringement action. But courts have found

[12] The case of *Fonar Corp. v. General Electric,* 107 F.3d 1543 (Fed. Cir. 1997) illustrates the problem courts have had in calculating damages when "reasonable royalty" is premised on defendant's profits. Fonar's patent was for a method of using a Magnetic Resonance Imaging (MRI) machine that reduced the number of scans required to obtain multiple images (called "MAO" imaging). GE's MRI machines were held to infringe the patent. In upholding a reasonable royalty award ($34 million) based on the entire sales price of GE's machines, the Court of Appeals ruled there was no need to apportion GE's profits between the patented invention and other components and features of the machines. Instead, the court applied the "Entire Market Value" rule to award damages based on total sales, rather than the separate value of the MAO feature. A similar result occurred in *Lucent-Alcatel v. Microsoft,* 02CV2060 (SD Cal. 2007), where the jury awarded the patentee of a component piece of MP3 audio compression technology $1.52 billion in damages, based on world-wide sales of computers running Windows XP, which contained the Windows Media Player, which in turn contained an MP3 codec, which ultimately contained the patented component.

On August 6, 2007, the jury award in Lucent-Alcatel was set aside by the trial court on a motion for new trial, ruling that the Entire Market Value rule was inapplicable to the facts of the case.

[13] See *Rite-Hite Corp. v. Kelley Co.,* 56 F.3d 1538, 1550 (Fed. Cir. 1995).

that this provision allows for "punitive" or exemplary damages in appropriate cases, as in where infringement is found to be willful or in bad faith.[14]

There is currently no threshold requirement for having a charge of willfulness considered by the court. Thus, given the potential benefits of proving willfulness, it is asserted in most infringement suits. However, there is substantial question as to whether the current standards used by the court to determine willfulness are appropriate. For instance, courts have found that knowledge of a patent can be used as evidence to prove willful infringement of the patent. Further, this knowledge can be established by vague assertions in notice of infringement and "invitation to license" letters.[15]

Businesses have employed various strategies to protect themselves from willful infringement charges. For instance, a company may obtain patent liability opinions from outside counsel when they learn of a patent that may relate to its products or activities.[16] This, however, is a very expense means to protect against willful infringement claims. The NRC estimated that an infringement opinion usually costs between $10,000 and $100,000.[17] Additionally, patent liability opinion letters are not always sufficient to establish there was no willful infringement.[18]

Another strategy businesses use to protect themselves from a willful infringement charge is to deliberately avoid searching for patents altogether, on the theory that if they are not aware they are infringing a patent, their activity cannot be willful.[19] This result, however, is the exact opposite of the intention of the patent system. As part of the social contract underlying the patent system, each patent is made publicly available in order to disseminate the knowledge contained therein. However, because courts have found that where previous knowledge of a patent is evidence of willful infringement, some businesses actively avoid consulting patent records.

This bill addresses these problems concerning willfulness by amending § 284 to codify that treble damages may be awarded when the court has determined that the infringer engaged in willful infringement. This bill also limits the permitted grounds for a finding of willfulness, by enhancing standards for notice of infringement, establishing limitations on the time during which an infringer may be held to have willfully infringed, and establishing limitations on when a pleading of willfulness may be made by the patentee or determined by the courts.[20]

---

[14] *Aro Mfg. Co. v. Convertible Top Replacement Co.,* 377 U.S. 476, 508 (1964).

[15] Christopher A. Harkins, *Choosing Between the Advice of Counsel Defense to Willful Patent Infringment or the Effective Assistance of Trial Counsel: A Bridge or the Troubled Waters?,* 5 Nw. J. of Tech and Intell. Prop. 209, 219 (2007).

[16] *Knorr-Bremse Systeme Fuer Nutzfahrzeuge Gmbh v. Dana Corp.,* 383 F.3d 1337 (Fed. Cir. 2004) (en banc)(providing that an adverse inference cannot be imputed if a company seeks a patent liability opinion).

[17] NRC, *supra* note 3, at 119.

[18] Harkins, *supra* note 6, at 225.

[19] *Id.*

[20] Just before this Committee Report went to print, the Court of Appeals for the Federal Circuit amended its rule for finding willful patent infringement. See *In re Seagate Technology,* 2007 U.S. App. LEXIS 19768 (Fed. Cir. 2007) ("proof of willful infringement permitting enhanced damages requires at least a showing of objective recklessness" together with actual or constructive knowledge of infringement).

PRIOR USER RIGHTS

Generally, prior user rights allow someone who had been making or using an invention to continue to do so after the invention has been patented by another. Prior user rights are found under current law in § 273. This was added by the American Inventor's Protection Act of 1999 (AIPA), responding in part to the Federal Circuit's decision to allow "business methods patents."[21] In particular, prior to the *State Street* decision, most patent practitioners believed that business methods were unpatentable subject matter, and they did not file for patents in this subject area. After *State Street,* the USPTO experienced a flood of business method patent applications. As with other expansions of patentable subject matter, the USPTO initially had few prior art references to use to judge the novelty and obviousness of business method patent applications. This led to the issuance of a large number of business method patents that were not properly vetted against existing prior art. Lawsuits and threats of lawsuits began to surface where poor-quality business method patents were being enforced against companies who had been practicing the claimed invention for years under the assumption such inventions could not be patented. While in many of these cases there was ample room for defendants to argue that the patents being enforced were invalid, the costs of litigating the matter were thought to be an unproductive drain on the resources of defendants. The defense of prior user rights, which had been considered in amendments to the patent statute since the 1980's, was established only for business method patents. However, the defense as created by the AIPA, may be too narrow, since very few prior users have to date invoked it.

The defense is limited not only in scope—namely, business method patents—but also to a person's prior use of an invention at a particular location at the time of the filing of a patent that may cover some or all of that same use. These limitations were imputed to ensure that incentive to use the patent system (vs. trade secret law) were not diminished while allowing use of something that was used previous to the filing of a patent.

This legislation widens the scope of prior user rights to all patented inventions. Thus, users of all types of inventions, products or processes, will now be able to make use of the defense if the invention is later patented by another. The changes to prior user rights made by this bill do not change the original goal of § 273, but enhance the original purpose for the provision. This goal, however, is secondary to two other goals achieved by the expansion of prior user rights. These goals are to 1) give early users limited protection from patent infringement and 2) reduce the burden on the applicant to file applications on every technology they use (versus choosing to use trade secret law) and as a result reduce the number of patent applications filed at the USPTO on less critical inventions.

Given the definition and scope of prior art under both current law and the modifications of 35 USC § 102 discussed above, an inventor must decide whether or not to seek patent protection for his invention. If an inventor chooses patent protection, the patent system provides the inventor legal recourse to prevent others from making or using his invention for a period of 20 years in exchange

[21] *State Street Bank & Trust Co. v. Signature Financial Group,* 149 F.3d 1368 (Fed. Cir. 1998).

for public disclosure of how the invention works. If an inventor chooses not to seek patent protection, he does not have to disclose the invention to the public and may make exclusive use of the invention indefinitely under trade secret law. However, the inventor who seeks trade secret protection also runs the risk of another inventor independently coming up with and patenting the invention. If this were to happen, the first inventor would not only lose his monopoly over the invention, but would be subject to an infringement suit by the later inventor who chose to patent the invention. A limited prior user rights defense, however, ensures that an inventor who chooses to protect his invention through trade secrets will not be barred from using the invention. In this case, a prior user will continue making use of the invention, and the subsequent patent holder is foreclosed from enforcing his patent right against the prior user but may enforce the patent against others.

The other goal of providing prior user rights is to reduce the number of applications filed overall, by removing the burden on applicants to file an application on every invention. Many companies today file patent applications on every aspect of their business, including incremental inventions, in order to shield themselves from potential liability for infringement if someone were to later patent the invention. This practice of defensive patenting has contributed to the increase of patent applications in recent years and the resultant backlog in examinations. Inventions that are patented for defensive reasons are generally not enforced against others and are simply used as a safeguard.

REEXAMINATION

After a patent issues, a party seeking to challenge the validity and enforceability of the patent has two avenues under current law: a reexamination proceeding at the USPTO or litigation in district court. The former is used sparingly and is considered not very effective; the latter is unwieldy and expensive. The average time between patent application and final outcome in patent litigation is a staggering 12 years, or 60% of a patent's life.[22] The legislation reforms the reexamination procedure to make it more effective and encourage its wider use. It also creates a new post-grant review proceeding that will allow for limited USPTO review of a patent on the basis of patentability.

The Committee believes that the ability to have a quality check on issued patents is important to the integrity of the patent system. Patents of questionable validity may stifle innovation, especially in fast-moving technology industries. Some patent holders have developed strategic methods to game the system based on poor-quality patents, building business plans around leveraging monetary value from patent portfolios.

Reexamination of an issued patent is currently governed by Chapters 30 and 31 Title 35. Reexamination serves as an expedited, low-cost alternative to patent litigation for reviewing limited aspects of patent validity, specifically whether an invention was anticipated or made obvious by documentary prior art.

[22] NRC, *supra* note 3, at 66.

Chapter 30 was added in 1980[23] and is codified in 35 U.S.C. §§ 301–307. Under this mechanism, an *ex parte* reexamination can be initiated. Patentees may request *ex parte* reexamination of their own patents. Approximately half of all *ex parte* proceedings have been requested by the patentee, often as a strategy to insulate the patent from late-surfacing prior art by cutting back the claims.

Potential challengers have regarded *ex parte* reexamination as insufficient because:

(1) after a reexamination is ordered, the third party's participation is limited to one statutory reply prior to the examination process, and only if the patent owner files an optional pre-examination statement;

(2) reexamination does not permit challenges to enablement, written description, best mode, or utility; and

(3) there is no opportunity for the challenger to appeal the examiner's decision on reexamination.

Subsequent congressional review indicated infrequent use of *ex parte* reexamination. Interested parties suggested that the volume of lawsuits in the district courts would be reduced if third parties had the opportunity to present their case for patent invalidity at the USPTO during reexamination. To address those concerns and provide such an opportunity, Congress enacted the "Optional Inter Partes Reexamination Procedure Act of 1999" as Subtitle F of the AIPA. The AIPA retained the existing *ex parte* reexamination procedure intact and separate from the newly enacted *inter partes* reexamination procedure.

Chapter 31 (35 U.S.C. § 311, *et seq.*) governs the *inter partes* reexamination procedure, where third parties can more fully participate than under the *ex parte* procedure. They can:

(1) submit a written comment each time the patent owner files a response to an "Office action" on the merits issued by the USPTO;

(2) appeal an adverse decision of the patent examiner to the Board of Patent Appeals and Interferences (BPAI); and

(3) have full participation rights in a patent owner's appeal to the BPAI.

Several infirmities in the reexamination process remained following enactment of the AIPA. Of greatest import were that:

(1) it did not provide third-party requesters the ability to appeal to the Federal Circuit, nor to participate in the patent owner's appeal to the Court;

(2) any prior art considered during the initial examination of an application could not serve as the basis for reexamination, since it did not raise "a substantially new question of patentability."[24]

(3) there was no opportunity for discovery;

(4) the requester was "estopped" from asserting in subsequent litigation (including as defendant in an infringement case)

[23] Pub. L. 96–517, 94 Stat. 3016, § 1. The rules governing reexamination are found at 37 C.F.R. 1.501–1.570.

[24] *In re Portola Packaging Inc.,* 110 F.3d 786 (Fed. Cir. 1997). This was reversed in the 2002 amendments of the Patent Act.

patent invalidity based on any ground the requester raised or could have raised in the *inter partes* reexamination; and

(5) the new procedure was available only regarding patents issued on applications filed on or after November 29, 1999, the date of enactment of the statute. All previously issued patents, and all patents based on applications pending on the effective date, were excluded from *inter partes* reexamination.

Whether a ground for invalidity "could have been raised" turned on a fact-intensive analysis of the availability of prior art at the time the reexamination proceeding was conducted. Also, the requester would be estopped from later challenging in a civil action any "fact" determined in the *inter partes* reexamination.[25] (). At the same time, "the confirmation of a patent in reexamination is accorded a great deal of respect by courts, and hence a reexamination could bolster the 'strength' of a patent."[26]

As a result of the limitations in the *inter partes* reexamination procedure, it was rarely used. Although the USPTO had estimated it would receive approximately 400 *inter partes* reexamination requests in the first year alone, not a single request was filed. In the first 3 years, only five *inter partes* requests were filed, out of approximately 160,000 patents issued.

In 2002, in order to make the optional *inter partes* reexamination procedures a more attractive alternative to litigation, the AIPA's *inter partes* reexamination practice was amended by the Patent and Trademark Office Authorization Act of 2002.[27] This act:

(1) provide third party *inter partes* reexamination requesters with the right to appeal to the Court of Appeals for the Federal Circuit and to participate in the patent owner's appeal to the Court; and

(2) clarify that reexamination (both *ex parte* and *inter partes*) may be based on a patent or printed publication previously cited by or to the USPTO, or considered by the USPTO, as long as a substantial new question of patentability is raised.

The estoppel provisions were not, however, changed by the 2002 amendments. Another unaddressed limitation was the effective date of the *inter partes* reexamination statute. A large number of patents issued before 2002 remained exempt from the *inter partes* reexamination procedures.

The AIPA included the requirement that USPTO assist Congress in its continuing oversight of patent operations. The agency was required to submit to Congress, within 5 years of enactment, a report evaluating whether the *inter partes* reexamination proceedings established by the Act were "inequitable to any of the parties in interest." If the agency were to find inequity to exist, the USPTO's report must then contain "recommendations for changes . . . to remove such inequity." In fulfilling this duty, the Director reported to Congress in 2004 that changes needed to be made to reexamina-

[25] Optional Inter Partes Reexamination Procedure Act of 1999, § 4607, uncodified
[26] Merges & Duffy, *Patent Law And Policy: Cases And Materials* (2002) at 1210–11.
[27] Pub. L. 107–273, § 5–6, amending 35 U.S.C. § 303(a), 312 (a) 134, and 141–44.

tion. The Director provided the following recommendations for post-issuance review of patents:

(1) reducing the estoppel effects on challengers;
(2) broadening challenger participation (currently limited to replying to patentee reexamination filings), such as independent submissions;
(3) enlarging the time for challenger responses (current 30 day time frame may affect thoroughness of response);
(4) enlarging the scope of reexamination (currently limited to novelty and obviousness disclosed by documentary prior art) to include non-documentary prior art or other validity-related questions (e.g., statutory bars, enablement, utility);
(5) scaled filing fees for small entity challengers;
(6) availability of discovery and cross-examination; and
(7) creation of a special review panel.

The Committee is also mindful of recommendations made 15 years ago by the Advisory Commission on Patent Law Reform:

> "An essential relationship [exists] between the value of patent rights . . . and the cost of patent litigation. [Reform should] ensure that transactional costs do not prejudice the rights of patentees or the rights of the public through the process of patent enforcement." Increased quality of examination will strengthen the presumption of validity, which in turn will decrease the number of unwarranted challenges to patent validity. This will also increase the confidence of the courts in applying the statutory presumption of validity."[28]

The amendments to the reexamination procedure address most of the concerns raised by the FTC, the USPTO and the Advisory Committee. They are the result of thorough consideration given to those views as well as other scholarly commentary.[29]

CITABLE PRIOR ART

Prior art that may be cited to establish either an *ex parte* and *inter partes* reexamination includes ". . . patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent."[30] The Committee heard comments that patent owners would, occasionally, offer differing interpretations of cited prior art. They might take one position during litigation or initial examination, and a different one during reexamination. To counteract this practice, the legislation amends 35 U.S.C. § 301 to allow the submission of documents, pleadings, or evidence from another proceeding that addresses the patent owner's statements or the claims addressed by the written statements. Consideration of such statements is limited to determining the proper meaning of any claims that are the subject of the reexam-

[28] The Advisory Commission On Patent Law Reform, *A Report To The Secretary Of Commerce* (1992).

[29] As the Federal Trade Commission noted in its report on the patent system, "procedures that third parties can use to challenge questionable patents may be insufficient." Federal Trade Commission ("FTC"), *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy,* Ch. 1, 33 (Oct. 2003).

[30] 35 U.S.C. § 301.

ination proceeding. Otherwise the operative language of § 301 is retained.

The legislation retains the types of prior art that can be cited under 35 U.S.C. § 301, namely patents and printed publications. While the term "patents" is self-evident, the term "printed publications" has become a term of art in case law. This applies not just to § 301, but also to § 102, which also includes printed publications as prior art. As it turns out, a reference does not need literally be "printed" or a "publication." Rather, these terms have evolved, commensurate with advances in technology and public accessibility of information.

In 1966, the President's Commission on the Patent System proposed that § 102 be amended to reflect changes in technology in the intervening 130 years since "printed" first appeared in the patent code.[31] The report recommended eliminating the technical requirement of printing, as to include other media of wide distribution, such as microfilm and computer storage.

At the time, the patent office had already begun construing "printed" as including any reproduction "impressed or fixed upon a sheet of paper or other material."[32] This included microfilm and other fixed media. Courts accepted the expanded definition.[33]

Under current law, if a reference may be obtained through reasonable diligence by a person of ordinary skill in the art, the reference will qualify as a "printed publication."[34] This includes modern forms of communication such as presentation slide shows.[35] Even a single copy of a document, such as a doctoral thesis, indexed and catalogued in a library, qualifies as a "printed publication" if it is "sufficiently accessible to a researcher who exercised reasonable diligence."[36]

The Committee intends that case law will continue to inform the definition of "printed publication" for purposes of prior art citation under § 301, as amended by the legislation.

EX PARTE REEXAMINATION

The legislation amends § 303(a) relating to *ex parte* reexaminations. It allows the Director to institute an *ex parte* reexamination at any time based on certain prior art discovered by the Director, cited under § 301, or cited by any person other than the owner of the patent under § 302 or § 311. It permits the Director to order an *ex parte* reexamination based on art submitted in a request by a third party for an *inter partes* reexamination. This change clarifies the existing authority of the Director, since prior art that accompanies a request under § 311 must be submitted under the provisions of § 301, and is therefore available to the Director to use in

[31] President's Commission on the Patent System, *To Promote the Progress of . . . Useful Arts in an Age of Exploding Technology* 7 (1966).

[32] *Gulliksen v. Halberg,* 75 USPQ 252 (Pat. Off. Bd. Int'f. 1937).

[33] See, e.g., *In re Wyer,* 655 F.2d 221, 226–27 (CCPA 1981) ("traditional dichotomy between 'printing' and 'publication' is no longer valid. Given the state of technology in document duplication, data storage, and data-retrieval systems, the 'probability of dissemination' of an item very often has little to do with whether or not it is 'printed' in the sense of that word when it was introduced into the patent statutes in 1836 ").

[34] *MIT v. AB Fortia,* 774 F.2d 1104 (Fed. Cir. 1985) (oral presentation to technical audience accompanied by distribution of some copies satisfied "publication" requirement).

[35] *In re Klopfenstein,* 380 F.3d 1345 (Fed. Cir. 2004).

[36] *E. I. du Pont de Nemours & Co. v. Cetus Corp.,* 19 USPQ2d 1174 (N.D. Calif. 1990).

determining whether a substantial new question of patentability exists.

The prior art upon which a substantial new question of patentability is raised is the same as that specified in § 301, even though that section uses the term "printed publication" rather than simply "publication" as here. As noted above, given the evolving meaning of the term "publication," no operative difference arises between the two terms.

Inter Partes Reexamination

The legislation also amends §§ 314, 315 and 317 relating to the conduct of *inter partes* reexamination proceedings. The changes are aimed at increasing the effectiveness of *inter partes* reexamination and making it a more attractive way to challenge patents without having to resort to litigation. The amendments to §§ 314, 315 and 317 accomplish the following:

1. Reexamination will no longer be conducted by a patent examiner. Rather, an administrative patent judge (APJ) will conduct and decide the reexamination.
2. The petitoner (or "requestor ") may file replies to any office action on the merits or on any submission by the patent owner.
3. The APJ may hold an oral hearing upon request "unless the judge finds cause lacking for such hearing."
4. The scope of estoppel is narrowed. A challenger is still estopped, after decision, from reasserting patent invalidity based on any ground actually raised in an *inter partes* reexamination, but estoppel no longer extends to any ground that "could have [been] raised" during the proceeding.
5. The heading and text of § 317(b), relating to preclusion of *inter partes* reexamination following civil action, is changed from "Final Decision" to "District Court Decision" (heading) and "judgment of the district court" (body). By this change, an *inter partes* reexamination may not be instituted after a district court decision.
6. *Inter partes* reexamination will be available for all patents, not just those issued after November 29, 1999.

POST-GRANT REVIEW

The legislation also adds a new post-grant review procedure that can be utilized during the first 12 months after a patent issues, or thereafter with consent of the patent owner. The *ex parte* or *inter partes* reexamination is extremely limited. The post-grant review would allow a time constrained challenge to an issued patent on any ground going to patentability, not just those based on certain prior art (i.e., patents and printed publications under § 301). More specifically, the reexamination process does not allow a patent to be challenged on the basis that the claims were anticipated or made obvious by prior non-documentary knowledge, public uses, sale, or that the disclosure was inadequate to enable others to practice the invention. The new post-grant review procedure is intended to fill this gap in patent review.

Post-grant review offers meaningful opportunities to improve patent quality by drawing upon the information and expertise of

those skilled in the art. Under an *ex parte* examination system, access to competitors' knowledge is limited. In contrast, a person skilled in the art engaged in an administrative challenge to a patent will be well-positioned to supply the best prior art, as well as the expertise necessary to probe beneath the surface of an applicant's affidavits and declarations. A post-grant review system channels administrative and public resources in a cost-effective and expeditious way to assure patent quality and validity.

As part of its 21st Century Strategic Plan, the USPTO proposed a new Post-Grant Review system to address patent quality, as well as provide an expeditious alternative to litigation. Post-Grant Review received great support among all major patent interest groups, including the bar, technology companies, academicians, and others seeking patent reform.

18-MONTH PUBLICATION OF ALL PATENT APPLICATIONS

United States patent law was fundamentally changed in 1999 with the introduction of pre-grant publication. Prior to this change, all applications filed with the USPTO were maintained in secrecy until a patent issued from the application. The secrecy of a pending application, combined with the ability of applicants to file unlimited numbers of continuing applications, and a patent term that ran for 17 years from the date a patent issued, led to abuse of the system with so-called "submarine" patents. These were patents that were deliberately kept under examination for long periods of time while a technology was developed in the market-place, and then allowed to issue and asserted against businesses that had taken the risks and expense of commercializing the technology without knowing that applications to patent that technology had been filed.

The 1999 changes required that certain applications be published 18-months after they were submitted to the USPTO. This requirement eliminated a portion of the submarine patent problem. Pre-grant publication also increased the quality of issued patents by making applications available as prior art in a manner that was more effective than procedures then previously available at the USPTO. However, the amended statute gave applicants the opportunity to opt out of pre-grant publication if they agreed not to file an application on the same invention with another national or international patent office or agency, thus leaving open the possibility of submarine patents.

The legislation eliminate that opt-out provision, preventing an application from remaining a secret after 18 months. It is the opinion of the Committee that this will provide better notice to potential users of inventions that have not yet been patented, but may be in the near future, and that the availability of all applications as potential prior art will reduce the number of patents that issue on closely related inventions that may be obvious variants of the same invention.

THIRD PARTY SUBMISSION OF PRIOR ART

The quality of issued patents has received a great deal of attention in recent years. There has been a growing concern that, regardless of the efforts of competent examiners, patents have issued on inventions that were publicly known and in use prior to the fil-

ing of the applications. Much of the reason for the issuance of patents on already known inventions is that evidence of the knowledge or use is not readily available to the patent examiners. This has proven to be especially true in newer areas of technology that previously did not exist, or were considered not to be eligible for patent protection. Examples of such areas of technology include computer software and systems, processes implemented by or involving computers, and processes that do not necessarily involve what is commonly thought of as technology, such as methods of doing business. Unlike the academic-based areas of chemistry and biotechnology, the computer and business method areas do not have a well-developed tradition of, or system for, publication in readily searchable printed journals. The result has been that examiners in the computer and business method fields, and to a lesser extent in some other fields, have not been able to find all of the prior art that exists in these fields.

The bill amends 35 U.S.C. § 122(e) to allow third parties to submit prior art that may be known to the public, but not readily available to the examiner, before the determination of patentability is made. Under existing law, third parties are allowed to submit information related to a published application within 2 months of publication of the application or prior to the mailing of a notice of allowance, whichever is earlier, but the submission cannot include any explanation of the references submitted or any other explanation. These and other limiting conditions are set in 37 CFR § 1.99, and are designed to comply with § 122(c) by ensuring that the submissions not amount to a protest or pre-issuance opposition by a third party. By leaving § 122(c) intact, but amending § 122(e) to include broader circumstances under which third parties may submit prior art in a published application, the Committee intends to increase the opportunities for the examiner to have the best prior art available during examination of an application. The submission must, however, include an explanation of the relevance of the prior art to the application being examined. Nor does the Committee intend this change to allow for additional third party input that would amount to a protest or pre-issuance opposition. To meet these ends, and to limit the possibility that the process be used to interfere with the progress of examination, the time period for submissions by third parties is extended to either 6 months after the date of publication, or the date of the first rejection of one or more claims in the published application, whichever occurs later, unless a notice of allowance is mailed earlier than either of those times. Once 6 months have elapsed from time of publication, or the examiner has made a substantive determination related to the patentability of the claims, additional third party submissions will not be accepted for consideration. In order to assist the examiner in focusing on the relevant information in any submitted patent or publication, the submitter must explain how the reference pertains to the invention claimed in the published application. Besides focusing the examiner, the requirement for an explanation of each reference will reduce the likelihood that a third party will submit large numbers of irrelevant or cumulative references. Through these provisions, examiners should obtain the benefit of patents and publications they may not otherwise see, without significant additional burden.

TAX PATENTS

Under current law, patents on tax strategies may be granted provided they meet the general requirements of patentability. Tax strategy patents negatively impact a broad range of issues, and the legislation would accordingly deem them unpatentable subject matter.

Tax strategy patents are considered a subclass of business method patents. The USPTO website shows that 60 patents had been issued in that subclass as of July 31, 2007, along with at least 89 more applications pending. These patents have involved many aspects of the tax law, including financial products, charitable giving, estate planning, and tax-deferred exchanges. Patenting tax strategies also raises the question of patent quality, insofar as the relevant prior art may be difficult to find.

The Committee has a number of concerns regarding tax strategy patents. As an initial matter, they conflict with the primary purpose of our tax laws, to raise money for government programs and responsibilities and protect the public fisc. Many, perhaps most, tax strategy patents have as their fundamental objective the reduction of Federal tax liabilities. If the use of tax strategy patents proliferates, encouraged by the marketing advantages conferred by a patent's government-granted monopoly and presumption of validity, many tax lawyers anticipate that there will be a corresponding reduction in Federal tax revenues. Granting a government monopoly in the form of a patent that undermines another key Federal function—the collection of revenue—seems peculiar, if not contradictory, and raises fundamental questions about the appropriateness of such patents.

Moreover, tax strategy patents remove from the public domain particular ways to satisfy a taxpayer's legal obligations. Those methods cannot be practiced by the taxpayer without permission of the patent holder. This will have adverse consequences for both the tax payers and tax advisers who may face patent infringement suits for using patented tax strategies. This undermines public confidence in law and uniformity in tax policies. It is also likely to increase public dissatisfaction with tax laws if compliance must be accompanied by patent searches and licensing.

Finally, if patents become an important part of the tax landscape, the atmosphere could become more secretive and less cooperative. The tax system as a whole will suffer if, in order to protect their patentable intellectual property, tax professionals are no longer willing to discuss, evaluate, and criticize each other's insights regarding how to comply with the tax system.

The Committee has considered whether removing tax strategies as patentable subject matter would violate the United States' obligations as a member of the World Trade Organization (WTO), specifically whether the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) allowed such exclusion.

Article 27.1 of TRIPs requires that "patents shall be available and patent rights enjoyable without discrimination as to the place of invention, the field of technology and whether products are imported or locally produced." This anti-discrimination provision raises the question of whether tax strategies are a protected "field of technology." Analysis of the patent laws of signatories to WTO

at the time of ratification (1994), and the members' negotiating positions, confirms that business methods were not included as a "field of technology," either in 1994 or subsequently.[37]

The table of existing international standards prepared by the Secretariat for Uruguay Round negotiators does not show that any country had, prior to that time, provided patent protection for software or business methods.[38] Other documents prepared for TRIPs negotiators showed that business method patents were often excluded, but never included.[39] Indeed, many countries today still do not recognize business methods as patentable subject matter.[40]

Further, TRIPs allows countries to make exceptions to patentable subject matter under certain circumstances. Specifically, article 27.3 allows members to exclude from patentability inventions that are necessary to protect *ordre public* or morality. As noted above, tax patents may be contrary to tax policy, and therefore offend public order. They also frustrate regulatory action aimed at diminishing economic incentives to exploit tax loopholes. Tax strategy patents can change and burden the practice of tax law. It will make compliance with U.S. law (the ability to engage in tax planning) subject to private regulation and licensing. In short, it would privatize public policy and law compliance. For these reasons, even if tax strategy patents were otherwise covered by TRIPs, they may be excluded under the ordre public exception.

VENUE

Since 1800, the United States district courts have had original and exclusive jurisdiction "of any civil action arising under any Act of Congress relating to patents . . ."[41] A special venue statute for patent infringement cases. 28 U.S.C. § 1400(b), was enacted as part of the 1948 revision to the Judicial Code. It was designed to limit the available forums "to those reasonably convenient to the defendant."[42] As such, venue is proper in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

The Supreme Court held that § 1400(b) was the exclusive provision for venue in patent infringement cases.[43] The general and more expansive venue statute for Federal question cases, 28 U.S.C. § 1391(b), could not be used in infringement cases, although it was still applicable to other cases involving patents; e.g., declaratory relief cases.[44] However, § 1391(c) was amended in 1988 to provide enlarged venue for corporate defendants. This change was the basis of the Federal Circuit's decision to holding that the amendments to

[37] "Examples of items which do not meet [TRIPs patent] criteria are . . . methods of doing business, and algorithms and mathematical formulas per se, including those incorporated in computer programs." Suggestion by the United States for Achieving the Negotiating Objective, Oct. 17, 1988, at 4.

[38] Synoptic Tables Setting Out Existing International Standards And Proposed Standards And Principles, Revision, Sept. 29, 1989.

[39] "Surely, TRIPs does not prescribe patentability of business methods. The generally perceived need for world wide patent law harmonisation should not lead to the conclusion that the European patent system must follow U.S. developments automatically." Directorate-General for Research of the European Parliament, The Patentability of Computer Programmes (2002) at 14.

[40] For instance, under the European Patent Convention, business methods "as such" are unpatentable because they make no contribution to the technical arts.

[41] 28 U.S.C. § 1338(a).

[42] *Bradford Novelty Co. v Manheim,* 156 F Supp 489 (SD NY 1957).

[43] *Fourco Glass Co. v. Transmirra Products Corp.,* 353 U.S. 222 (1957).

[44] *Schnell v Peter Eckrich & Sons, Inc.,* 365 U.S. 260 (1961); *United States Aluminum Corp. v. Kawneer Co.,* 694 F.2d 193, 195 (9th Cir. 1982).

§ 1391(c) also apply to venue under § 1400(b).[45] Accordingly, corporate defendants in infringement cases can be sued wherever personal jurisdiction attaches. That is determined by state long-arm statutes. Since these, typically, are broad, and include any place the defendant does business, § 1391(c) invites plaintiffs to forum shop.

The amendments made by the Act to § 1400 are designed to discourage the widespread use of forum shopping and to provide greater certainty in venue selection. The Committee believes that simply returning to the 1948 venue framework would be too strict for modern patterns of technology development and global commerce. Accordingly, venue requirements are relaxed by providing venue based on plaintiff's residence in many cases. In this way venue in patent cases should optimize convenience to all parties.

INTERLOCUTORY APPEALS

Currently, interlocutory appeals are permitted in limited circumstances, which are specifically described in 28 U.S.C. § 1292(a). The most common of these is the grant or refusal of a preliminary injunction. In addition to the specified interlocutory orders which are appealable as of right, a district court may certify other nonfinal orders for immediate appeal if the court is "of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation."[46] In addition to the discretionary certification by the district court, the circuit court must also agree to hear the interlocutory appeal.[47]

The Federal Circuit's jurisdiction in infringement cases extends to the same type of interlocutory rulings as permitted by § 1292(a) and (b).[48] Respecting discretionary appeals, the Federal Circuit must also agree that interlocutory appeal is proper under § 1292 (b).[49]

There is a small class of interlocutory orders that do not fit within either § 1292(a) or (b), and yet are permitted. The so-called "collateral order" doctrine permits appeal of district court orders that (1) "conclusively determine the disputed question," (2) "resolve an important issue completely separate from the merits of the action," and (3) are "effectively unreviewable on appeal from a final judgment."[50] This doctrine also applies to appeals in patent cases.[51]

Finally, a district court can accelerate appeal by issuing a "partial judgment."[52] Thus, if the causes of action in an infringement case are severable, the court can (and often does) issue partial summary judgment. The partial judgment is final and appealable under § 1291.

---

[45] *VE Holding Corp. v. Johnson Gas Appliance Co.,* 917 F.2d 1575 (Fed. Cir. 1990).
[46] 28 U.S.C. § 1292(b).
[47] *Id.;* Fed. R. App. Pro. 5.
[48] *See* 28 U.S.C. § 1292(c).
[49] *See Voda v. Cordis Corp.,* 476 F.3d 887 (Fed. Cir. 2007).
[50] *Coopers & Lybrand v. Livesay,* 437 U.S. 463, 468 (1978).
[51] *Intel Corp. v. Commonwealth Sci. & Indus. Research Org.,* 455 F.3d 1364 (Fed. Cir. 2006).
[52] Fed. R. Civ. Pro. 54(b) ("the court may direct the entry of a final judgment as to one or more but fewer than all of the claims or parties ").

To review, the Court of Appeals for the Federal Circuit has jurisdiction over patent appeals from the district courts in five classes of cases:

(1) Final decisions.
(2) Interlocutory appeals as of right.
(3) Discretionary interlocutory appeals of controlling questions of law.
(4) Collateral orders.[53]
(5) Partial final judgment.

Another type of interlocutory order, *Markman* hearings, is essentially claim construction rulings that do not neatly fit into the narrow categories of immediately appealable interlocutory orders. Although often they are dispositive on the meaning or validity of a patent, they cannot ordinarily be appealed until after trial and judgment. They are not a final judgment, nor a "collateral order," nor an interlocutory order appealable as of right. The only route for immediate appeal is by district court certification under § 1292(b). Yet, even where that has occurred, the Federal Circuit has declined all such certified questions. Their reason is because of "the difficulties that could flow from premature claim interpretation."[54]

While the Federal Circuit refuses to hear appeals of just *Markman* rulings, statistics show that they reverse around 50% of all *Markman* rulings do eventually hear when the district court ruling is appealed.[55] The large number of appeals—and reversals—significantly increases the time and money it takes to resolve infringement suits. As such, the administration of justice could be promoted and final resolution of many patent disputes could be accelerated if appeals to *Markman* rulings were held prior to the district courts decision on the merits of the infringement action. Accordingly, 28 U.S.C. § 1292(c) is amended to permit such appeals, at the discretion of the district court, since they are in the best position to determine whether the scope of patent claims is integral or dispositive to the ultimate decision in each case. While such interlocutory appeals can occur under the existing statute, it is vehicle that will never be used if left up to the Federal Circuit. By inserting a special provision in the jurisdictional statutes relating to interlocutory patent appeals, it is the Committee's intent that this mechanism be more widely considered by district courts.

APPLICANT DISCLOSURES

The determination to grant or not grant a patent is an *ex parte*, non-adversarial procedure where the person who wishes to obtain a patent provides information in support of patentability and a patent examiner evaluates that information in the context of what is known in the relevant art. The examiner is expected to be knowledgeable in the technology and proficient at searching and evaluating the prior art, and is to use his knowledge and resources to

[53] *Coopers & Lybrand, supra* note 40.

[54] *Cybor Corp. v. Fas Techs.,* 138 F.3d 1448, 1479 (Fed. Cir. 1998). See also *Lava Trading, Inc. v. Sonic Trading Mgmt.,* LLC, 445 F.3d 1348, 1350 (Fed. Cir. 2006) ("[w]ithout the vital contextual knowledge of the accused products or processes, [an interlocutory] appeal takes on the attributes of something akin to an advisory opinion on the scope of the . . . patent ").

[55] Paul M. Schoenhard, *Reversing the Reversal Rate: Using Real Property Principles to Guide Federal Circuit Patent Jurisprudence,* 17 Fordham Intell. Prop. Media & Ent. L.J. 299, 302–303 (2007)

determine whether a patent should be granted for each application he reviews. However, an examiner does not know everything about a particular field, nor could he have access to or know where to find all information about a particular field.

On the other hand, patent applicants have a better perspective and often the best perspective on what prior art is relevant to their invention and more importantly, why it is relevant. However, under current law, applicants are only required to disclose prior art relevant to their invention of which they are aware. This has had two affects, both of which have impacted the ability of examiners to thoroughly examine applications.

First, since the current disclosure requirement only requires disclosure of prior art that the applicant is aware of, many applicants choose not to perform prior art searches. This increases the burden upon examiners because they have very little information in an application, besides the patent, to use in their review. This means examiners must take more time than they would have otherwise to search and review the relevant prior art. Second, for applicants that do review the prior art, in order to fulfill their disclosure requirement and avoid a later charge of inequitable conduct, they send the office all the prior art references they know of, including those that are only vaguely relevant. This creates another substantial burden on examiners, as they have to sift through voluminous application files.

To address these two problems with the current system, the legislation grants the Director authority to require by rule that applicants perform prior art searches and submit to the USPTO search reports with their applications. Additionally, the Director may also promulgate rules requiring applicants to analyze the prior art provided in the search report.

INEQUITABLE CONDUCT

Inequitable conduct has been established by the courts as a defense to patent infringement. The primary purpose of this defense is to foreclose enforcement of a patent that was secured through acts of fraud or other dishonest practice. A fraudulently procured patent has long been treated as invalid.[56]

Generally, to prove inequitable conduct, it must be shown that the patent holder withheld or misstated material information with the intent to deceive the USPTO. But because this remedy was established by the courts, a number of interpretations of the requisite level of materiality and intent have been generated, leading to uncertainty in how the defense will be applied. For instance, in a recently decided Federal Circuit opinion on inequitable conduct, it was found that no less than four separate standards for materiality may be used in deciding inequitable conduct.[57] Furthermore, courts have bound materiality and intent together, holding that a strong showing of one element will be sufficient to overcome a weak showing of the other.[58] This has given courts the opportunity to infer

[56] *United States v. American Bell Tel. Co.,* 128 U.S. 315 (1888).
[57] *Digital Control v. Merlin Technology,* 437 F.3d 1309, 1314–1315 (Fed. Cir. 2006).
[58] *Id.* at 1313; *Union Pac. Res. Co. v. Chesapeake Energy Corp.,* 236 F.3d 684, 693 (Fed. Cir. 2001); *FMC Corp. v. Manitowoc Co. Inc.,* 835 F.2d 1411, 1413 (Fed. Cir. 1987).

intent solely from the materiality of information misstated or withheld.

As applied by the courts, the penalty for engaging in inequitable conduct is to render the patent unenforceable, and sometimes related patents as well, even if all of the patent's claims are otherwise valid. The severity of the penalty provides strong motivation for the accused infringer to plead inequitable conduct as a defense. However, it has also led to over use of the defense, prompting many users of the patent system to argue that it is often pled but rarely found.[59] Once plead, it adds significantly to the complexity and expense of the trial because it opens avenues to extensive discovery. Because it depends on a subjective finding of intent on the part of the applicant, it injects a great deal of uncertainty into the trial. The possibility of the patent being held unenforceable also impacts potential settlement discussions. The mere pleading of inequitable conduct places a significant burden on the patent owner and has little or no adverse impact on the accused infringer. However, it is extremely important to maintain an adequate deterrence to applicant lying to the USPTO.

In order to provide an increased level of certainty to the defense, inequitable conduct is codified. This codification includes procedural requirements, substantive standards and remedies for inequitable conduct.

BEST MODE

Under current law, the first paragraph of 35 U.S.C. § 112 requires applicants for a patent to disclose three things: (1) a written description of the invention, (2) a written description of the manner of making and using the invention, sufficient to enable one skilled in the art to make and use it, and (3) the best mode contemplated by the inventor of carrying out his invention.

The best mode requirement is unique to American patent law. While other patent laws and international agreements (i.e., TRIPs) typically impose an enablement requirement, the additional requirement of best mode is not required. The public policy behind § 112 goes to the heart of the reason that patents exist in the United States to advance technology (the useful arts) by rewarding inventors for teaching the public how to make and use their inventions in the best, most effective way of which they are aware. Its inclusion in American law is intended to preclude a patentee from maintaining a competitive advantage after patent expiration. While the patent must teach others how to practice the invention, if the patentee can withhold superior modes of practice, he effectively retains a trade secret at the same time as receiving patent protection. This breaks faith with the fundamental bargain of patent law.

Determining whether an application complies with the best mode requirement involves two factual inquiries. First, it must be determined whether or not the inventor knew of or had in mind a best mode of practicing the invention. This determination is subjective and temporal, in that it requires assessing what was in the mind of the inventor at the time the application was filed. Second, if it

[59] John F. Lynch, *An Argument for Eliminating the Defense of Patent Unenforceability Based on Inequitable Conduct,* 16 Am. Intell. Prop. Law Asso. Q. J. (1988); *Burlington Indus., Inc. v. Dayco Corp.,* 849 F.2d 1418 (Fed. Cir. 1988) ("the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.").

can be determined that the inventor did contemplate a best mode for the invention, the application disclosure must be analyzed to determine whether that best mode was disclosed in sufficient detail to enable one skilled in the art to practice the best mode. Failure to disclose a known best mode of carrying out the invention, whether intentional or accidental, could result in denial of a patent on the claimed invention or a holding of invalidity of an issued claim.[60]

In recent years, the wisdom of requiring disclosure of best mode has been questioned on three grounds. The first is that the subjective nature of whether the inventor contemplated a best mode, and what that was, requires what may be extensive pre-trial discovery to obtain the evidence necessary for a clear and convincing showing, if such evidence exists. As with other defenses based on subjective findings (e.g., inequitable conduct), the defense based on best mode significantly increases the expense and complexity of litigation. Moreover, since the defense applies only to particular claims in which the best mode was known at the time but was not disclosed, it must be litigated on a claim-by-claim basis.[61]

The second ground is that best mode applies only to what the inventor knew at the time of filing, not modes of practice that may be created or refined thereafter. Accordingly, by the time of patent litigation, the best mode may already be obsolete.

The third objection to best mode is the expense it adds to international filings. Foreign patent applicants wishing to protect their inventions in the United States must amend or prepare their applications to meet a requirement that is unnecessary anywhere else.

The Committee has acknowledged the desire to address the difficulty of litigating extremely subjective elements such as best mode.[62] Therefore, the Committee opted to make failure to meet the best mode requirement unavailable as a defense to infringement by amending 35 U.S.C. § 282. Failure to include best mode in the written description is still grounds for rejecting an application, or for opposition under any of the post-grant procedures specified in the Act (particularly *inter partes* reexamination or post-grant review). However, the requirement to disclose the best mode is retained. By retaining the requirement so that applicants provide a full disclosure of the invention, which can later be used by the public. By removing best mode as a defense to infringement, the bill eliminates the incentive to engage in speculative analysis.

REGULATORY AUTHORITY

The primary grant of USPTO rulemaking authority is found in 35 U.S.C. 2(b)(2)(A), which gives the USPTO authority to "establish regulations, not inconsistent with law, which shall govern the conduct of proceedings in the Office." Under this authority, the USPTO has promulgated numerous regulations related to the processing and granting of patents. A recent example of this rulemaking authority are the rules on continuation applications re-

[60] Manual of Patent Examining Procedure, Chapter 2100, §§ 2161.01 and 2162.

[61] See *Amgen, Inc. v. Chugai Pharmaceutical Co., Ltd.,* 927 F.2d 1200, 1205 n.5 (Fed. Cir. 1991).

[62] NRC, *supra* note 3, at 54.

cently promulgated.[63] The reason behind this change, as cited by the USPTO, is that continuation applications make up a large portion of total applications and as such which contributes partially to the USPTO's application backlog.[64] The extent of this authority, however, has been questioned, bringing into doubt whether the USPTO may place limitations on continuations or require applicants to provide documentation to support their applications.

Typically, courts will give deference to the rules promulgated by an agency if an Act which charges the agency with responsibility doesn't speak to the issue that the rule pertains to. However, if direction on the issue can be found in the statute, any agency rules that conflict with the statute must be struck down. This is what was done in 1968 to rules established by the USPTO's Board of Patent Appeals and Interferences (BPAI) that limited continuations.

The BPAI had construed a limit on the number of continuations an applicant can file based on a literal reading of 35 USC § 120 that would suggest only one or two continuations could ever be filed. However, in *In re Hernicksen* the Court of Claims and Patent Appeals (CCPA) held that the BPAI's decision was flawed.[65] The CCPA found that the statute placed no restrictions on the number of continuations an applicant may obtain, and that the BPAI's interpretation of the continuations provisions was inconsistent with § 120. Many have since suggested that *In re Herniksen* established that any "mechanical rules" that limit the number of continuations, even if passed through normal rulemaking procedures, would be in violation of § 120 of the patent statute, despite later precedent in *In re Bogese II* suggesting that the USPTO may limit continuations when "dilatory tactics" are used in the prosecution of applications.[66]

To resolve the ambiguity in the USPTO's rulemaking authority, the Committee does not intend to alter it, but only clarify and reiterate that the USPTO has always had authority to promulgate rules that place limitations or conditions on patent applications, including continuation applications, that do not directly contradict any such limitations or conditions expressly stated in statute. Where Congress has seen fit to provide specific limitations or conditions in statute, the USPTO may not surpass or take away these limitations or conditions by promulgated rule. But where Congress has remained silent and no express limitations or conditions are stated in statute, the USPTO may make rules that promote the quality and timeliness of patent applications which impose limitations or conditions, provided such rules are reasonable and do not eviscerate the rights and privileges that Congress intended to give patent applicants.

---

[63] The USPTO's new rules related to continuations allows patent applicants to file two continuation applications and one Request for Continued Examination (RCE) without restriction, but any further continuations or RCEs would be allowed only if they are filed to obtain consideration of an amendment, argument or evidence that could not have been submitted during the prosecution of the prior-filed application. *Changes to Practice for Continuing Applications, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications; Final Rule,* 72 Fed. Reg. 46716 (Aug. 21, 2007).

[64] *Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentability Indistinct Claims,* 71 Fed. Reg. 48, 49–50 (Jan. 3, 2006).

[65] *In re Henriksen,* 399 F.2d 253 (CCPA, 1968).

[66] *In re Bogese II,* 303 F.3d 1362 (Fed. Cir., 2002).

HEARINGS

The Judiciary Committee's Subcommittee on Courts, the Internet and Intellectual Property held a day of hearings on H.R. 1908 on Thursday, April 26, 2007. Testimony was received from Gary L. Griswold, President and Chief Counsel of Intellectual Property, 3M Innovative Properties, St. Paul, Minnesota; Anthony Peterman, Director, Patent Counsel, Dell Incorporated, Round Rock, Texas; Kevin Sharer, Chairman of the Board and Chief Executive Officer, Amgen Incorporated, Thousand Oaks, California; John R. Thomas, Professor of Law, Georgetown University Law Center, Washington, D.C.; William T. Tucker, Executive Director, Research and Administration and Technology Transfer, University of California, Oakland, California.

In addition to this hearing, the testimony collected at numerous hearings over the past several years has also greatly informed the reforms to the patent system called for in H.R. 1908. These hearings include:

- Closed door meeting for Member and staff of the Subcommittee briefing on "Patent Reform," held on May 9, 2007. Participants included Pat Choate, Political Economist and Author of Hot Property: The Stealing of Ideas in an Age of Globalization; Gary L. Griswold, President and Chief Counsel of Intellectual Property, 3M Innovative Properties, St. Paul, Minnesota; Bryan Lord, CEO, Amber Waves; Moshe Malina, Director, Associate General Counsel and Chief Patent Counsel for Citigroup, representing the Financial Services Roundtable; Emery Simon, Counsel, The Business Software Alliance (BSA); John R. Thomas, Professor of Law, Georgetown University Law Center, Washington, D.C.
- Oversight Hearing by the Subcommittee on "American Innovation at Risk: The Case for Patent Reform," held on Thursday, February 15, 2007. Testimony was received from Adam B. Jaffe, Professor of Economics and Dean of Arts and Sciences, Brandeis University Whaltham, Massachusetts; Suzanne Michel, Chief Intellectual Property Counsel and the Deputy Assistant Director for Policy Coordination, Federal Trade Commission, Washington, D.C.; Mark Myers, Co-Chair of the National Academy of Sciences Report Patent System for 21st Century, Unionville, Pennsylvania; Daniel B. Ravicher, Executive Director, Public Patent Foundation, New York, New York.
- Oversight Hearing by the Subcommittee on "Patent Trolls: Fact or Fiction?" held on Thurday, June 15, 2006. Testimony was received from Ed Reines Esq., Weil, Gotshal & Manges, LLP; Dean Kamen President, DEKA Research & Development Corporation, Paul Misener, Vice President for Global Policy, Amazon.com; Chuck Fish, Vice President & Chief Patent Counsel, Time Warner, Inc.
- Oversight Hearing by the Subcommittee on "Patent Harmonization," held on Thursday, April 27, 2006. Testimony was received from Q. Todd Dickinson, Vice President and Chief Intellectual Property Counsel, General Electric Company; Robert A. Armitage, Senior Vice President and General Counsel, Eli Lilly and Company; Gary Mueller, President

and Chief Executive Officer, Digital Now, Inc.; Pat Choate, Political Economist and Author of Hot Property: The Stealing of Ideas in an Age of Globalization.

- Oversight Hearing by the Subcommittee on "Patent Quality Enhancement in the Information-Based Economy," held on Wednesday, April 5, 2006. Testimony was received from the Honorable Jon W. Dudas, Under Secretary of Commerce for Intellectual Property & Director of the U.S. Patent and Trademark Office; James Balsillie, Chairman and Co-Chief Executive Officer, Research in Motion; Robert A. Stewart, Director and Chief Patent Counsel of Americas, UBS AG; Mark A. Lemley, William H. Neukom Professor of Law, Stanford Law School.
- Oversight Hearing by the Subcommittee on "Improving Federal Court Adjudication of Patent Cases," held on October 6, 2005. Testimony was received from Kimberly A. Moore, Professor of Law, George Mason University School of Law; John B. Pegram, Senior Counsel, New York Office of Fish & Richardson, P.C.; Chris J. Katopis, Counsel, Drinker Biddle & Reath, LLP; the Honorable T. S. Ellis, III, United States District Judge, Eastern District of Virginia.
- Legislative Hearing by the Subcommittee on "The Amendment in the Nature of a Substitute to H.R. 2795, the Patent Act of 2005," held on Thursday, September 15, 2005. Testimony was received from Emery Simon, Counsel, The Business Software Alliance (BSA); Philip S. Johnson Chief Patent Counsel, Johnson & Johnson on behalf of the Pharmaceutical Research and Manufacturers of America (PhRMA); Robert B. Chess, Chairman, Nektar Therapeutics on behalf of the Biotechnology Industry Organization (BIO); John R. Thomas, Professor, Georgetown University Law Center.
- Oversight Hearing by the Subcommittee on "Review of U.S. Patent and Trademark Office Operations, Including Analysis of General Accounting Office, Inspector General, and National Academy of Public Administration Reports," held on September 8, 2005. Testimony was received from the Honorable Jon W. Dudas, Under Secretary of Commerce for Intellectual Property & Director of the U.S. Patent and Trademark Office (USPTO); Anu K. Mittal, Director, Science and Technology Issues, U.S. General Accounting Office (GAO); Ronald J. Stern President, Patent Office Professional Association (POPA); Charles Van Horn, Finnegan, Henderson, Farabow, Garrett, and Dunner, LLP.
- Legislative Hearing by the Subcommittee on H.R. 2795, the "Patent Act of 2005," held on Thursday, June 9, 2005. Testimony was received from Gary L. Griswold, President and Chief Intellectual Property Counsel, 3M Innovative Properties Company on behalf of the American Intellectual Property Law Association (AIPLA); Carl Gulbrandsen, Managing Director, Wisconsin Alumni Research Foundation (WARF); Josh Lerner, Professor, Harvard Business School; Daniel B. Ravicher, Executive Director, Public Patent Foundation (PUBPAT).

- Oversight Hearing by the Subcommittee on the "Committee Print Regarding Patent Quality Improvement—Part II," held on Thursday, April 28, 2005. Testimony was received from the Honorable Jon W. Dudas, Under Secretary of Commerce for Intellectual Property & Director of the USPTO; Richard Levin, President, Yale University; Dr. Nathan P. Myhrvold, Chief Executive Officer, Intellectual Ventures; Darin E. Bartholomew, Senior Attorney, Patent Department, John Deere and Company on behalf of the Financial Services Roundtable.
- Oversight Hearing by the Subcommittee on the "Committee Print Regarding Patent Quality Improvement—Part I," Wednesday, April 20, 2005. Testimony was received from J. Jeffrey Hawley, Legal Division Vice President and Director, Patent Legal Staff, Eastman Kodak Company on behalf of Intellectual Property Owners Association (IPO); Richard J. Lutton Jr., Chief Patent Counsel, Apple on behalf of the Business Software Alliance; Jeffrey P. Kusham Esq.; Sidley Austin Brown and Wood, LLP, on behalf of Genetech; William L. LaFuze, Chair, Section of Intellectual Property Law, American Bar Association on behalf of the American Bar Association and the ABA Section of Intellectual Property Law.
- Oversight Hearing by the Subcommittee on "Patent Quality Improvement: Post-Grant Opposition," held on Thursday, June 24, 2004. Testimony was received from Michael K. Kirk, Executive Director, American Intellectual Property Law Association (AIPLA); Jeffrey P. Kushan Esq., Sidley Austin Brown & Wood on behalf of Genentech; Karl Sun, Senior Patent Counsel, Google Inc.; James A. Toupin, General Counsel, USPTO.
- Oversight Hearing by the Subcommittee on "Patent Quality Improvement," held on Thursday, July 24, 2003. Testimony was received from, Mark Kesslen, Managing Director and Associate General Counsel, J.P. Morgan Chase & Company on behalf of the Financial Services Roundtable and BITS; David M. Simon, Chief Patent Counsel, Intel Corporation; John R. Thomas, Professor of Law, Georgetown University; Mr. Charles E. Van Horn, Partner, Finnegan, Henderson, Farabow, Garrett & Dunner, on behalf of the American Intellectual Property Law Association (AIPLA).
- Oversight Hearing by the Subcommittee on "The U.S. Patent and Trademark Office: Fee Schedule Adjustment and Agency Reform," held on July 18, 2002. Testimony was received from Charles P. Baker, Chair, Intellectual Property Law Section, American Bar Association; Michael K. Kirk, Executive Director, American Intellectual Property Law Association (AIPLA), Kathryn Barrett Park, Executive Vice President, International Trademark Association (INTA); the Honorable James Rogan, Undersecretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office.
- Oversight Hearing by the Subcommittee on "Patent Reexamination and Small Business Innovations," held on Thursday, June 20, 2002. Testimony was received by Paul Heckel, Inde-

pendent Inventor; Dr. Nancy Linck, Senior Vice President, General Counsel & Secretary, Guilford Pharmaceuticals, Inc.; Peter Theis, President, Theis Research, Inc.; Mr. Mark H. Webbink, Senior Vice President & General Counsel, Red Hat, Inc.

- Oversight Hearing by the Subcommittee on "The U.S. Patent and Trademark Office: Operations and Fiscal Year 2003 Budget," held on April 11, 2002. Testimony was received by the Honorable James Rogan, Undersecretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office, Michael K. Kirk, Executive Director, American Intellectual Property Law Association; John K. Williamson, President, Intellectual Property Owners; Colleen Kelley, National President, National Treasury Employees Union.
- Oversight Hearing by the Subcommittee on "Patents Improving Quality and Curing Defect," held on Thursday, May 10, 2001. Testimony was received by James F. Cottone, President, National Intellectual Property Researchers Association; Michael K. Kirk, Executive Director, American Intellectual Property Law Association (AIPLA); Jeffrey P. Kushan, Esq., Powell, Goldstein, Frazer and Murphy, LLP; David E. Martin, Chief Executive Officer, M.CAM.
- Oversight Hearing by the Subcommittee on "Business Method Patents," held on April 4, 2001. Testimony was received by the Honorable Nicholas Godici; Acting Undersecretary of Commerce for Intellectual Property and Acting Director of the U.S. Patent and Trademark Office; Michael K. Kirk, Executive Director, American Intellectual Property Law Association (AIPLA); Ronald E. Myrick, Chief Intellectual Property Counsel, General Electric on behalf of Intellectual Property Owners Association; Andrew B. Steinberg, Executive Vice President, Administration General Counsel and Corporate Secretary, Travelocity.

As evidenced by the number of hearings, the Committee has been mindful that patent reform is a complex and very important policy objective, and has proceeded in a deliberative fashion, soliciting at every stage the input and advice of all users of the patent system. As the legislation proceeds through the legislative process the Committee intends to remain receptive to input from all concerned, so as to arrive at a balanced final bill that benefits from the fullest consideration of all points of view..

COMMITTEE CONSIDERATION

On May 16, 2007, the Subcommittee on Courts, the Internet and Intellectual Property met in open session and ordered the bill H.R. 1908 favorably reported, by voice vote, a quorum being present. On July 18, 2007, the Committee met in open session and ordered the bill H.R. 1908 favorably reported, as amended, by voice vote, a quorum being present.

COMMITTEE VOTES

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the Committee advises that there were no recorded votes during the Committee's consideration of H.R. 1908.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee advises that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of rule XIII of the Rules of the House of Representatives is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill, H.R. xxxx, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, September 4, 2007.

Hon. JOHN CONYERS, Jr., *Chairman,*
Committee on the Judiciary,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1908, the Patent Reform Act of 2007.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact for health-related questions is Julia Christensen, who can be reached at 226–9010. For other questions, the staff contact is Susan Willie, who can be reached at 226–2860.

Sincerely,

PETER R. ORSZAG,
DIRECTOR.

Enclosure

cc: Honorable Lamar S. Smith.
Ranking Member

H.R. 1908—Patent Reform Act of 2007.

SUMMARY

H.R. 1908 would amend various provisions of current law that regulate how the Patent and Trademark Office (PTO) awards patents. The bill would alter the rule that prioritizes the award of a

patent from the "first to invent" to the "first inventor to file." As a result, PTO would change certain procedures followed in awarding patents and procedures that allow individuals to challenge the validity of patents that have been awarded. The bill would authorize PTO to collect certain fees to offset most of the costs associated with these new procedures. Several provisions of H.R. 1908 would alter intellectual property protections associated with brand name drugs and could affect when competing versions of generic drugs ultimately enter the market. Other provisions would require PTO to prepare several reports for the Congress on the effectiveness of the changes to the patent process that would be made by H.R. 1908.

Subject to appropriation of the necessary amounts, CBO estimates that implementing the bill would have a net discretionary cost of $3 million in 2008 and $11 million over the 2008–2012 period. Enacting H.R. 1908 could affect direct spending and revenues, but CBO estimates that any such changes would be negligible over the 2008–2017 period.

H.R. 1908 would impose intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), on certain patent applicants. Based on information from PTO, CBO estimates that the cost of complying with the mandates would exceed the annual threshold for private-sector mandates established in UMRA ($131 million in 2007, adjusted annually for inflation) in each of the first 5 years the mandate is in effect. CBO estimates that the costs to state and local governments of complying with the mandates would not exceed the annual threshold for intergovernmental mandates established in UMRA ($66 million in 2007, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1908 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

By Fiscal Year, in Millions of Dollars

	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Inter Partes Reexaminations					
Estimated Authorization Level	4	17	28	44	57
Estimated Outlays	4	15	26	41	54
Post-grant Reviews					
Estimated Authorization Level	1	4	10	5	2
Estimated Outlays	1	4	9	5	2
Offsetting Collections					
Estimated Authorization Level	–2	–29	–35	–40	–44
Estimated Outlays	–2	–29	–35	–40	–44
Net Changes					
Estimated Authorization Level	3	–8	3	9	15
Estimated Outlays	3	–10	0	6	12

BASIS OF ESTIMATE

For this estimate, CBO assumes the bill will be enacted near the start of fiscal year 2008.

Spending Subject to Appropriation

H.R. 1908 would create a new procedure to challenge the validity of a patent and would authorize PTO to collect fees to offset its costs for this activity. Further, PTO expects that the volume of requests for certain other patent review processes would increase as a result of implementing the bill. Under current law, PTO is authorized to collect fees for these activities. The collection and spending of those fees are subject to provisions in annual appropriations acts, and the fees are recorded in the budget as offsets to the discretionary spending of PTO. For 2007, the PTO received a gross appropriation of $1,771 million, and CBO estimates that amount will be offset by $1,799 million in fee collections. Assuming appropriation of the necessary amounts, CBO estimates that implementing H.R. 1908 would increase the PTO's net outlays by $3 million in 2008 and $11 million over the 2008–2012 period.

Inter Partes Reexaminations. Under current law, an individual may question the validity of an awarded patent through an inter partes reexamination, which allows both the challenger and the patent-holder to participate in the proceedings by submitting arguments and filing appeals.

Inter partes challenges may be raised at any time after a patent has been awarded. Because of certain limitations in the process, however, very few challenges have been raised. The bill would relax these limitations and increase the number of patents that could be challenged. Further, the bill would require the inter partes proceedings to be conducted by an administrative patent judge; under current law, these proceedings are conducted by a patent examiner.

With fewer limitations on future challenges and a larger universe of patents open to challenge, CBO expects that the number of inter partes proceedings would increase under the bill. Based on information from PTO, CBO expects at least 100 additional employees would be necessary to handle that increase in patent challenges. We estimate that implementing the changes to the inter partes reexamination procedures would cost about $4 million in 2008 to begin hiring and training additional staff, and $140 million over the 2008–2012 period. PTO is authorized to collect fees that would offset most of the costs of conducting those examinations.

Post-grant Opposition Procedures. H.R. 1908 would authorize PTO to initiate a new procedure, at the request of third parties, to review the validity of patents already awarded. This opportunity for a post-grant review generally would be available within 12 months of the date the patent was issued, and would take place in a court-like proceeding where both parties would be involved in developing and presenting information regarding the validity of an awarded patent. The bill also would authorize PTO to collect a fee to offset the cost of this new process.

Based on information from PTO, CBO expects that around 300 requests for post-grant reviews would be made each year once regulations defining the process are complete. CBO estimates that implementing this new process would cost $1 million in 2008 and $21 million over the 2008–2012 period, which would be offset by fee collections starting in 2009. The cost would be higher in the early years because we expect that the agency would incur expenses to set up the system before cases would be presented for review.

Offsetting Collections. H.R. 1908 would authorize PTO to collect fees to offset the cost of post-grant reviews. In addition, PTO is authorized to collect fees under current law for inter partes reexaminations. Fees for inter partes reviews are set in current law, and PTO cannot increase the fees beyond an annual adjustment for inflation. CBO expects that fees for inter partes reexaminations would largely but not completely offset the cost of those reviews. Based on information from PTO, CBO expects that most fee collections would begin in 2009 after regulations to implement the legislation are completed. CBO estimates that fee collections would total $2 million in 2008 and $150 million over the 2008–2012 period.

Direct Spending

Several provisions of H.R. 1908 would alter intellectual property protections associated with brand name drugs and could affect when competing versions of generic drugs ultimately enter the market. Changing when lower-priced generic drugs would be available to purchasers would affect spending by Federal health programs that purchase drugs or provide health insurance that covers drugs. Consequently, CBO expects that direct spending for Medicare, Medicaid, the Federal Employees Health Benefits program, and the Defense Department's TRICARE for Life program could be affected under the bill. However, based on information provided by experts in patent law and the brand and generic drug industry, CBO estimates that net changes in direct spending for those programs would be negligible over the 2008–2017 period.

The potential effects of the bill on the pharmaceutical industry are highly uncertain. Some provisions of the bill could affect patent protections for pharmaceuticals (and the timing of generic entry) in countervailing ways. For example, allowing a party to administratively challenge the validity of a patent through the new post-grant review proceedings at PTO, under certain circumstances, would provide generic firms and other interested parties with a new tool to eliminate patents that block entry of lower priced generic drugs. However, other provisions in the bill, such as one that would modify standards for proving inequitable conduct by patent holders, could make overturning certain patents or the timely launch of their products more uncertain for generic firms in some cases.

CBO anticipates that provisions of the Federal Food, Drug, and Cosmetic Act governing marketing of brand and generic drugs would significantly limit how H.R. 1908 might affect the timing of generic entry over the 2008–2017 period. H.R. 1908 also would make certain new requirements prospective in nature and thereby limit the effect of such changes on the market entry of generic drugs over that period. Because numerous provisions would apply to patent cases initiated and new patents issued after enactment, we expect that the effect of the bill on average drug prices could be significant beyond 2017. The nature and extent of any such long-term effects are unclear, however.

The Chief Judge of the U.S. Court of Appeals for the Federal Circuit has expressed concerns that section 5 of H.R. 1908 could sig-

nificantly lengthen patent trials and delay their final resolution.[1] CBO expects that the provision relating to damages would infrequently apply to drug cases involving generic competitors and would apply only to cases initiated after enactment. Consequently, any potential budgetary effect from delaying resolution of pharmaceutical patents probably would not be significant over the next 10 years.

Revenues

Enacting H.R. 1908 also could affect Federal revenues. Any change to the average cost for prescription drugs available on the market would affect the cost of premiums for private health insurance. CBO anticipates that changes in spending by private health insurance plans would cause a shift in compensation between taxable wages and tax-favored benefits, thereby affecting Federal revenue from income taxes and payroll taxes. However, because CBO estimates that enacting the bill would have a negligible net effect on the average price of drugs over the next 10 years, the net effect on Federal revenues would also be negligible over that period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1908 would impose intergovernmental and private-sector mandates, as defined in UMRA, on certain patent applicants. The mandates include following new application requirements and prohibiting tax planning methods from being patentable.

Required Search Reports

The bill would direct the Patent and Trademark Office to establish regulations that would require certain patent applicants to submit a search report, analysis, and other information relevant to receiving a patent. Most patent applicants, including public universities, would be required to follow the new application process. The bill would exempt applications from micro-entities, as defined in the bill, from providing such reports and information. According to PTO, the cost for applicants to research and provide such information would be about $5,000 to $10,000 per search report; however, some applicants already provide similar information in their applications. Based on the number of patent applications per year, CBO expects that the direct cost to comply with the mandate would exceed the annual threshold for private-sector mandates established in UMRA ($131 million in 2007, adjusted annually for inflation) in each of the first 5 years the mandate is in effect. CBO estimates that the costs to public universities of complying with the mandates would not exceed the annual threshold for intergovernmental mandates established in UMRA ($66 million in 2007, adjusted annually for inflation).

Prohibiting Tax Planning Methods

The bill also would prohibit tax planning methods from being patentable. The prohibition would apply to any application for a new or reissued patent that is filed on or after the date of enactment. While the number of such applicants would likely be small,

[1] Letter from the Honorable Paul R. Michel, U.S. Court of Appeals for the Federal Circuit, to the Honorable John Conyers Jr. and the Honorable Lamar S. Smith, Chairman and Ranking Member, respectively, of the House Committee on the Judiciary, May 21, 2007.

CBO has no basis for estimating the net income that would be forgone by a patent applicant for not receiving a patent. Therefore, CBO cannot estimate the cost to private entities of complying with this mandate. CBO estimates that the costs of complying with this mandate for state, local, and tribal entities would be small.

ESTIMATE PREPARED BY:

Federal Costs: Susan Willie (226–2860) and Julia Christensen (226–9010)
Impact on State, Local, and Tribal Governments: Elizabeth Cove (225–3220)
Impact on the Private Sector: Paige Piper/Bach (226–2960)

ESTIMATE APPROVED BY:

Peter H. Fontaine
Assistant Director for Budget Analysis

PERFORMANCE GOALS AND OBJECTIVES

The Committee states, pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, H.R. 1908 will improve the quality of patents being issued by the USPTO, greatly reduce the abusive practices particular to patent litigation, and harmonize the United States patent system with the rest of the world.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in article I, section 8, clause 8 of the Constitution.

ADVISORY ON EARMARKS

In accordance with clause 9 of rule XXI of the Rules of the House of Representatives, H.R. 1908 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(d), 9(e), or 9(f) of Rule XXI.

SECTION-BY-SECTION ANALYSIS

SEC. 1. SHORT TITLE; TABLE OF CONTENTS

This section sets forth the short title of the bill as the "Patent Reform Act of 2007" and sets forth a table of contents.

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

This section makes clear that amendments made by this Act are to made to title 35 of the United States Code, unless otherwise stated.

SEC. 3. RIGHT OF THE FIRST INVENTOR TO FILE

Definitions

In order to accommodate the change to a first-to-file patent system, Section 3(a) amends 35 U.S.C. § 100 to include definitions for terms that are used in the context of a first-to-file system. These definitions bring added clarity to the meaning and application of the terms. Terms added and defined include § 100(f) "inventor",

§ 100(g) "joint inventor", § 100(h) "effective filing date of a claim invention", § 100(i) "claimed invention", and § 100(j) "joint invention."

The term "inventor" refers to a single individual who has, working alone, invented or discovered an invention. In cases where two or more individuals are responsible for inventing or discovering an invention, the term inventor applies to all the individuals collectively.

The term "joint inventor" is applied to any one of the individuals who have invented or discovered an invention together. Such a term is necessary since the term inventor is used to refer to either a single inventor or, collectively, to all the joint inventors of an invention made or discovered by more than one person.

The "effective filing date of a claimed invention" as applied in § 100(h)(1) is the date a patent application containing a disclosure of the invention is filed. The "effective filing date for the claimed invention" may also be the filing date of a previously filed application if the current application is entitled to a right of priority to an earlier provisional or foreign application under 35 U.S.C. §§ 119, 365(a) or 365(b), or is entitled to the benefit of an earlier filing date of a United States application under 35 U.S.C. §§ 120, 121 or 365(c) as provided by § 100(h)(2), so long as the application that is the basis of priority fully describes and enables the claimed invention.

The term "claimed invention" is any invention defined by a claim in a particular patent or patent application, as required by § 112(b) as amended by this Act.

The term "joint invention" is an invention that is made from the collaboration of inventive endeavors of two or more persons working toward the same end and producing an invention by their collective efforts.

Prior Art

Section 3(b) substantially amends § 102, the definition of prior art and conditions for patentability. Broadly, the new § 102(a) defines prior art while the new § 102(b) establishes exceptions to § 102(a).

Under the new § 102(a)(1), the issuance of a patent is prohibited if the claimed invention was patented, described in a publication, in public use, or on sale before the effective filing date of an application claiming the invention. Pursuant to subparagraph (A), any of these acts operates as an absolute bar if done more than a year prior to filing. Such acts also operate as a bar under subparagraph (B) if done a year or less prior to filing, except for an inventor's own disclosure. Working together and as required in a first-to-file patent system, these two provisions establish that any prior art reference or disclosure (e.g., patent, publication, public use or sale) available before the effective filing date of an application that teaches or describes the invention may be used to defeat the patentability of the invention.

Under the new § 102(a)(1)(B) the grace period that has traditionally been available in the Untied States is maintained. This inventor's grace period allows an inventor to make his invention publicly available, whether by publication, public use, or sale, up to 1 year prior to filing a patent application for the invention, without such activity being used as prior art against him. This grace period allows an inventor to assess the usefulness, marketability and practi-

cality of the invention for a limited period of time before undertaking the expense of obtaining a patent on the invention. The grace period is also very important for universities and nonprofit research organizations and will allow academic inventors to discuss or publish information concerning their invention without fear that such a disclosure would be used against their applications.

The Committee uses the current § 102(b) as the template from which to define the scope of prior art in the Act, primarily because of how the terms "in public use" and "on sale" have been interpreted by the courts. The provisions of § 102(b) are meant to serve a set of very specific policy goals which include 1) encouraging inventors to file early for patent protection, 2) preventing inventors from extending their monopoly in the invention and 3) not taking away from the public what it justifiably believes is in the public domain. Additionally, there is nothing inherent in a first-to-file system that will deter inventors from making use of their inventions as trade secrets and then some time later filing a patent application for the invention. Thus, the maintenance of the "public use" and "on sale" definitions of prior art are needed to prevent such activity.

The Committee also chose to eliminate any geographical limitations placed on the "in public use" and "on sale" prior art found in the current § 102(b). These limitations were first created in an era where it took weeks to travel to other countries and information concerning inventions in other countries, was limited at best. Given advances in communications technology and transportation, the average person can learn as much about activities in a foreign land as he can learn about what is happening in his own neighborhood. As such, there is no longer a need to distinguish, for prior art purposes, between a public use or sale in this country versus one in another. Furthermore, most other countries do not limit prior art to domestic knowledge.

The new § 102(a)(2) carries over the current § 102(e) class of prior art, namely patents and patent applications not yet published.

Exceptions to Prior Art

While the Committee finds that the United States should make the switch to a first-inventor-to-file system, the Committee also recognizes that the limitations inherent in a strict first-to-file system may be too restrictive given the nature of invention discovery and development, even with the inventor's grace period provided in § 102(a)(1)(B). With this in mind, this Act incorporates a number of exceptions to prior art.

The first exception to prior art is provided by § 102(b)(1). This provision disqualifies any prior art under § 102(a)(1)(B) if the same subject matter had already been publicly disclosed by the inventor (hereinafter "first-to-disclose exception"). This exception effectively creates a first-to-disclose rule. If an inventor publicly discloses his invention, he preserves his priority to the invention even if there is intervening prior art between the inventor's public disclosure and the inventor's application for patent, provided that the application is made 1 year or less after the initial disclosure.

As a general rule in a first-to-file system, where two independent inventors come up with the same invention, priority will go to the first inventor to submit an application (new § 102(a)(2)). The ear-

lier, or "senior," application will operate as prior art against the later, or "junior," application and bar the second patent. However, new § 102(b)(2) establishes several exceptions to § 102(a)(2).

First, if a senior application claims subject matter that was obtained directly or indirectly from a junior applicant who was the true inventor, the senior application will not qualify as § 102(a)(2) prior art against the junior application. This is why the new "first-to-file" system is more properly characterized as a "first-inventor-to-file" system. Second, if the subject matter of the senior application was publicly disclosed by the junior applicant before the senior application was filed, the senior application does not qualify as prior art against the junior one under § 102(b)(2). In this sense, the new "first-inventor-to-file" system is also a "first-to-disclose" system. Finally, under the new § 102(b)(2), a published patent or application under § 102(a)(2) that normally would constitute prior art against a subsequently filed patent application, does not qualify as prior art against the subsequent invention if the published patent or application and the subsequent invention were owned by or subject to an obligation of assignment to the same entity as of the effective filing date of the subsequent patent application.

The new § 102(b)(3) carries over the Cooperative Research and Technology Enhancement (CREATE) Act of 2004 (108 P.L. 453; 118 Stat. 3596), originally codified in § 103(c). This re-codification establishes an exception to § 102(a)(2) prior art in the possession of parties to a joint research agreement. Such prior art will not be counted against a subsequently filed application by the parties if the claimed invention was developed under a joint research agreement and has an effective filing date on or after the date of the joint research agreement.

The above provisions are illustrated by the following example. Inventor (I) delivers a paper at an academic conference on January 1, disclosing the subject matter of her invention. Colleague (C) learns the invention at the conference and publishes a paper on the same subject matter on August 1. Thereafter, C files a patent application on October 1. I files her own application on December 1. Is either I or C entitled to a patent?

I's disclosure at the conference would ordinarily constitute prior art under § 102(a)(1). Because it was disclosed less than 1 year prior to filing (by both I and C), it is covered by § 102(a)(1)(B), which exempts it as prior art for I ("disclosures made by the inventor ") but not for C. It will defeat C's patent application, but not I's.

C's publication on August 1 would also ordinarily constitute prior art for both I and C. Yet, it is excluded for C by § 102(a)(1)(B) and for I by the same paragraph (disclosure "by others who obtained the subject matter disclosed directly or indirectly from the inventor "). If C were an independent inventor and did not obtain the subject matter from I, C's disclosure by publication on August 1 would still not operate as prior art against I because of the exception in § 102(b)(1) (earlier disclosure by inventor). An independent disclosure will not operate as prior art if the applicant had disclosed first (within 1 year of her filing).

C's patent application on October 1 will also operate as prior art against I pursuant to § 102(a)(2) because it was effectively filed before the filing date of I's application. However, since the subject

matter in C's application was obtained from I, § 102(b)(2)(A) prevents it from operating as prior art. Even if C obtained the subject matter independently, and not from I, C's application will not serve as prior art because of the exception in § 102(b)(2)(B). That is because I publicly disclosed her invention before C filed.

In summary, because of the "grace period" in § 102, none of the events prior to I's filing on December 1 will operate as prior art as to I. C's application, however, is barred. He may have a grace period for his own disclosures, but not for earlier disclosures by another inventor. Even if C were not barred, I could initiate a derivation proceeding against him under § 135(a). Upon proof that C derived his invention from I, I would be awarded the patent.

It's right to a patent over C is illustrative of the difference of a pure "first-to-file" as opposed to "first-inventor-to file" system.

Changes to Obviousness

Section 3(c) repeals §§ 103(b) & (c) and amends the definition of obviousness so that obviousness is measured as of the date of application for the claimed invention instead of the date of invention.

Derivation Proceeding

In order to address concerns that a first-inventor-to-file system may make it easier for an invention to be misappropriated from the true inventor, section 3(i) replaces the current interference proceeding in § 135(a) with a new derivation proceeding that will allow a true inventor to challenge an earlier applicant's right to patent. This is a formal administrative proceeding that provides an applicant the opportunity to show that another, earlier applicant claiming essentially the same invention, actually derived the invention from the requester, thus removing the earlier application or patent as prior art under the exception set forth in § 102(b)(2)(A).

Under the amended § 135(a)(1)(A), an applicant requesting a derivation proceeding must set forth the basis for finding that an earlier applicant misappropriated the claimed invention and without authorization filed an application claiming such invention. Also the request must be filed within 12 months of the date of first publication of an earlier application or issuance of a patent on that application, whichever is first, covering a claim that is the same or substantially the same as the claimed invention.

Under § 135(a)(1)(B), the Director is to determine whether the basis set forth under § 135(a)(1)(A) has been met. Under § 135(a)(2), the Patent Trial and Appeal Board (PTAB) shall determine the right to the patent and issue a final decision thereon. Under § 135(a)(3), the Board may defer action on a request for a derivation proceeding until 3 months after a patent is issued on the earlier-filed application. As per § 135(a)(3), the Board's decision concerning the merits of the positions advanced during the derivation proceeding will serve as the final decision by the USPTO as to who has the right to patent. The losing party may appeal to the Federal Circuit.

While a derivation proceeding may appear to have some similarity to an interference proceeding, its purpose is not to determine who invented first. The only concern of a derivation proceeding is whether one applicant obtained the subject matter from the other, and is therefore not a true inventor of that subject matter.

Condition on Implementation of Section 3

Section 3(k) contains the effective date for this section. The adoption of the "first-inventor-to-file" system is delayed until 90 days after the President certifies to Congress that other "major patenting authorities" have adopted a grace period substantially similar to the one contained in this section. As of time of adoption of this report, neither the European Patent Convention nor Japanese patent law provide a grace period. The beneficial effect of the grace period provided to United States filers by this section could be lost should they also seek patent protection in Europe or Japan, which are the most frequent destinations for international filings by United States nationals. The Committee believes that in this limited instance and with Congressional oversight, the Executive is the appropriate body to determine whether other countries have sufficiently conformed their patent laws to the grace period under this section. The Committee is providing section 3(k) as guidance to the President, by defining "major patenting authorities" to mean the patenting authorities in Europe and Japan. This is not meant to require that every European country adopt a grace period. Rather, it is sufficient if the European Patent Office and the patent offices of Germany and the United Kingdom do so. Nor must their grace periods operate exactly as in this section, or define exempt prior art in precisely the same way.

Review of Effects of Section 3 Amendments

Section 3(l) mandates that the Undersecretary of Commerce for Intellectual Property and Director (hereinafter "the Director" of the Unites States Patent and Trademark Office (USPTO) conduct a study on the effectiveness and efficiency of the amendments made by this section, and submit to the Committees on the Judiciary of the House of Representatives and the Senate a report on the results of the study. The report must include any recommendations the Director may have on amendments to the law and any other recommendations the Director may have with respect to the first-inventor-to-file system as put into effect by the amendments in this section. The first such study must be done not later than the end of the 7-year period beginning on the effective date of this section as set forth in subsection (k). The study must be repeated at the end of every 7-year period after the date of the first study. It is the opinion of the Committee that the amendments in section 3 of the bill serve to implement a fundamental change in the operation of the United States patent system. Such change, while well-reasoned, requires a mechanism for monitoring its long-term effects.

SEC. 4. INVENTOR'S OATH OR DECLARATION

Section 4 amends §§ 115 and 118. As amended, § 115(a) requires that z patent application include the names of the inventors of any invention claimed in the application, and that inventors sign an oath or a declaration in lieu of oath. Section 115(a) also requires that the inventor of each claim in the patent application execute an oath or declaration for the application. An oath or declaration must be executed by every inventor in the case where an invention has more than one inventor.

Under § 115(b) the oath or declaration required under § 115(a) must state that the application was made or authorized to be made by the affiant or declarant, and that such individual believes himself to be the "original" inventor of the claimed invention. This change partly reflects a change to a first-inventor-to-file system, because the affiant or declarant no longer has to state that he believes himself to be the "first" inventor of the claimed invention. Under § 115(c), the Director of the USPTO is allowed to require additional information related to the inventor or invention to be included in the oath or declaration.

Under § 115(d)(1), the requirements of § 115 (b) and (c) may be met through a substitute statement in lieu of an oath or declaration under certain circumstances. These circumstances are listed in § 115(d)(2), and include times where the inventor is dead, is legally incapacitated, or cannot be found or reached after a diligent effort. Section 115(d)(2) also allows a substitute statement to be submitted in lieu of an oath or declaration when an inventor has an obligation to assign his rights to the invention but refuses to make the oath or declaration required by § 115(a). Today, many inventions are made by employee-inventors who have assigned to their employers, in contract or other terms of employment, the rights to any inventions they make in connection with their employment. Or an employer may claim rights to an invention by implication. Where such a relationship exists, this change will prevent an employee-inventor from withholding his oath or declaration as a means to delay or prevent an employer from seeking patent protection of an invention created by the employee-inventor, or as a means to negotiate remuneration from the employer. Under § 115(d)(3) the substitute statement must identify the individual with respect to whom the statement is made (i.e., the inventor or joint inventor) and set forth the permitted circumstances that are the basis for filing the statement (e.g., the inventor has an obligation to assign his invention but refuses to sign the oath or declaration). The Director of the USPTO is authorized to require additional information to be included in the substitute statement. In cases where assignment is alleged, the Committee expects the Director to require evidence showing the assignment.

To provide further flexibility, § 115(e) allows an individual who is under an obligation to assign the invention to make the statements required under § 115 (b) and (c) in the assignment document, rather than making the statements in a separate filing. Amended § 115(e) exempts individuals from the requirements of the section when they file an application that claims priority under § 120 or § 365(c) if the requirements of this section were met in the earlier application. Finally, amended § 115 prohibits the USPTO from issuing a notice of allowance under § 151 until the conditions of this section are met, thus defining the time at which the conditions must be met by the applicant(s) as anytime prior to the issuance of a notice of allowance.

Section 115(f) requires, as a condition before a notice of allowance is provided, that the applicant has filed each required oath or declaration under § 115(a), or substitute statement under § 115(d), or has recorded an assignment meeting the requirements of § 115(e).

Section 115(g) allows an applicant to forgo the requirements of § 115 if the application is claiming priority based on a continuation application under § 120 or a foreign filed application under § 365 and the earlier application meets the requirements set out in § 115 (a), (d) or (e).

Section 115(h)(1) allows changes to be made to any statements filed under § 115. If the change includes naming one or more additional inventors, the Director will establish regulations that guide how such a change is to be made. However, under § 115(h)(2), no supplemental statement shall be required if an oath or declaration under § 115(a) or an assignment under § 115(e) is already executed. Section 115(h)(3) provides that no patent shall be invalid or enforceable if the requirements of § 115 are not met. However, willful false statements may still serve as a basis for making unenforceable patents that are acquired by means of inequitable conduct as defined in § 282.

Section 115(i) requires that any declaration or statement, including oaths, include an acknowledgment that any willful false statement is punishable by fine or imprisonment, or both, under 18 U.S.C. § 1001. This is to ensure that all inventors and/or applicants are held accountable for making any statements they know are false in an oath or declaration, or a substitute statement or assignment that is intended to be in lieu of an oath or declaration as permitted under § 115.

As amended, § 118 will permit a person to whom the invention is assigned, or to whom the inventor is under an obligation to assign the invention, to apply for a patent on the invention without having to show that the inventor cannot be found or reached, or has refused to execute the application. Also, under the amended § 118, a patent issuing from an application filed by anyone other than the inventor will be issued to the real party in interest, with notice to the inventor. In most cases, the real party in interest will be the person to whom the patent is assigned. This change will have little impact on the rights of the inventor who has already given up his rights to the invention by having assigned his rights to the applicant, and should increase the flexibility and efficiency with which an assignee may file a patent application on inventions made under the assignee's auspices. As amended, § 118 will harmonize U.S. patent law relating to who can file a patent application with the laws of most if not all foreign patent agencies.

SEC. 5. RIGHT OF THE INVENTOR TO OBTAIN DAMAGES

Apportionment of Damages

Section 5(a) amends 35 U.S.C. § 284. As amended, § 284(a) maintains the current option between lost profits and other measures, not less than a reasonable royalty, as the basis for damages. The Committee does not intend to change or affect the ways courts and juries award damages for lost profits. The changes in the bill are addressed to awards of damages based on a reasonably royalty theory. Further, the plaintiff is still entitled to compensatory damages "together with interest and costs as fixed by the court."

Generally, newly added § 284(b) is applicable whenever "reasonable royalty" is used to determine damages. Paragraph (1) governs how a reasonable royalty is to be calculated. It prescribes three es-

sential steps. First, the court must affirmatively determine which of the specified alternative methods of calculating a reasonable royalty will be used. Next, the court must identify which factors (e.g., from among the 15 *Georgia-Pacific* factors or any others) are relevant to the selected calculation method. In these first two steps, the court acts as gatekeeper, identifying for the jury (or for the court's own consideration) the applicable methodology and the factors that are both relevant under that methodology and supported by the evidence in the case. Finally, the court or jury may rely only on the selected method (or methods) and only those factors specifically identified as relevant and supported by the evidence presented in calculating the amount of reasonable royalty. Merely providing a list of the *Georgia-Pacific* factors to the jury, as often occurs now, would be insufficient and impermissible under the revised § 287(b) unless the court explains on the record why only that approach can produce a just damages award and is necessary in the interest of justice.

Paragraphs (2), (3) and (5) of § 284(b) provide different approaches to the determination of a reasonable royalty. The court will select the methodology that best suits the facts of the case and the patent-in-suit. The Committee expects that paragraphs (2) or (3) will apply in many of cases. However, where neither of those methods is capable of achieving the standard set out in subsection (a) ("a reasonable royalty for the use made of the invention by the infringer "), then the court may use the alternative provided by paragraph (5).

The Committee anticipates that courts will perform their gatekeeping function by conducting a hearing outside the presence of a jury in cases tried to a jury for the purpose of reviewing the evidence that the parties plan to introduce relating to calculation of damages. After assessing the admissible evidence relating to reasonable royalty, the court will (1) determine the applicable methodology and factors relevant under that methodology and explain on the record the reasons for its determination; and (2) permit the parties to put before the jury only the evidence relevant to the methodology and factors determined to be applicable by the court. This will prevent confusion of the jury that likely would result from the introduction of misleading or irrelevant evidence. Making these determinations part of the record will facilitate review, both by the court on a post-trial motion and on appeal.

Although individual judges should determine what is appropriate based on the facts of the case before them, it would be preferable for the analysis to occur earlier in the process rather than later. Evidence presented in support of a reasonable royalty award often will include experts' economic analysis of three relevant sets of commercial considerations aimed toward establishing "a reasonable royalty for the use made of the invention by the infringer"—

- the value of the actual invention (its "specific contribution over the prior art");
- the impact of the actual invention, if any, on supply of and demand for a product or process incorporating the invention; and
- any collateral effects, such as cost savings, increased efficiency in production, lower distribution cost, etc.

Expert testimony may include opinion testimony on development costs, production costs, cost associated with re-engineering, the market size, changes in both supply and demand directly attributable to the invention, evidence of specific consumer reliance on the invention and other microeconomic analyses. This evidence, when appropriate, may include previous licensing of the actual or related inventions, accounting for variations in the terms and conditions of such licenses. Finally, if available, evidence may be taken on the economic value of non-infringing alternatives to the actual invention.

As amended, § 284(b)(2) provides for apportionment of damages as the first of three alternative mechanisms for calculating reasonable royalty. This paragraph requires the court to conduct an economic analysis of the infringing product or process and determine what portion of its value is properly attributable to the invention. Expert testimony typically would focus on the value of the invention as such, separate and apart from the economic value of the product or process that may incorporate the invention. It would do so by a process of identifying the elements of the invention that render it patentable and the economic value properly attributable to those elements. The economic valuation should identify the specific value of the invention's inventive steps as such, separate and apart from other technologies and elements (the "prior art ") with which it may be associated. Finally, from the infringing product or process's overall value, the court must exclude "the economic value properly attributable to the prior art" and the "other features or improvements, whether or not themselves patented, that contribute economic value to the infringing product or process."

For example, in a case alleging that the patent-in-suit was infringed by a particular aspect of a GPS navigation system incorporated in an automobile, the economic analysis would focus on determining the incremental value contributed by the particular aspect of the GPS system attributable to infringement of the actual invention embodied in that patent; it should exclude the value contributed by the other GPS technology, as well as the value of the car as a whole, its engines, body, steering system, seats, drive train, windows, etc. Similarly, an invention permitting a bank's customers to round up their debit card or credit card charges to even dollars and automatically transfer those cents into a savings account, should not be valued on the basis of banking services generally such as savings, debit card use or brokerage but rather on the incremental value attributable to the rounding up/transfer process itself.

Accordingly, paragraph (2) directs the use of an objective method to measure a patent's value for damages purposes. Inventors should be rewarded for their "inventive contributions;" they should not be rewarded for others' innovations (even where incorporated into the patent) or for market success properly attributable to the overall commercial context in which the invention is used, except as provided under paragraph (3).

As amended, § 284(b)(3) permits courts to use the "entire market value" rule in calculating damages when the prerequisites for use of that standard are met.

The "entire market value" rule is the corollary of apportionment. Where separate unpatented products operate as a functional unit

with the infringing product, or the infringed component serves as the basis for customer demand of the functional unit, damages may be based on the "entire market value" of the combination. See *Rite-Hite Corp. v. Kelley Co.,* Inc., 56 F.3d 1538 (Fed. Cir. 1995) (in banc). The rule applies most often in the case of accessory items which form a single functional and marketable unit with the infringing product. After-market "convoyed" sales can also be included. See *Juicy Whip, Inc. v. Orange Bang, Inc.,* 382 F.3d 1367 (Fed. Cir. 2004). In both cases, defendant's profits on separate, non-infringing, products may be included in the damages base if the market demand for them is determined by the infringed invention.

The test for determining whether the infringed component drives the market demand for the overall product or combination is refined by § 284(b)(3). "[T]he patent's specific contribution over the prior art [must be] the predominant basis for market demand for an infringing product or process." The "specific contribution" requirement focuses the inquiry on whether the innovative element of the patented product is the basis for customer demand, rather than non-innovative (prior art) features that just happen to be claimed in the patent. This complements the purpose of paragraph (2) to award a patent holder for his true contributions, rather than for technologies defendant could have incorporated without infringing.

In using the term "predominant basis," the Committee did not intend to imply that the invention should be the one and only factor that leads all consumers to make their purchase decisions. Rather the intent of the Committee is to ensure that this test is met only when the invention is the factor determining marketplace acceptance, not in the sense that it is the only relevant factor but in the sense that, based on the facts presented, the invention's specific contribution over the prior art (and not other factors) drives marketplace demand for the product or process which incorporates it.

Typical examples of situations where the patented contribution may distinguish over the prior art include pharmaceuticals. Often the only reason to purchase a drug is the patented active chemical agent for a drug or a treatment. In such cases, the invention is the very reason why customers purchase the product. In the case of a patented cholesterol-reducing chemical dispensed in the form of a pill, the customer has little interest in the binders, buffers, starches or coloring associated with the pill. The sole reason for the demand is the therapeutic effect. Similarly, when the invention is a new methodology for dispensing medication, such as insulin, the dispenser itself, for example an inhaler, may be the sole reason for customers to demand the medication in that form.. As a general rule, for products with one or two key distinct features which are the actual invention, it should be relatively easy to establish that the entire market value rule applies. However, with respect to products that have many constituent components, such as software and integrated circuits, it should rarely apply.

The codification of the "entire market value rule" at § 284(b)(3) does not otherwise change the operation of the rule as it pertains to convoyed sales ("the products or processes involved ") so long as they satisfy the customer demand created by infringing use of the patent-in-suit.

The amended § 284(b)(4) applies to damages measures under § 284(b)(2) and (3); it is not an independent method that can be used as an alternative to them. It reflects the reality of modern technology, that innovation may lie simply in combining prior art in novel, non-obvious and useful ways. In such cases, the value of the invention may lie in increased functionality or enhancement of the prior art due to the inventive combination.

Thus, in determining an invention's "specific contribution over the prior art" (i.e., the value of the patented innovation), in the case of a combination, a court should not simply exclude the values of previously known elements. Some of that value may be attributable to the invention and is properly part of plaintiff's damages base. One example provided to the Committee was that of a telephone. Its inventor (Alexander Graham Bell) mostly combined preexisting products in a novel way. If the separate value of each component preexisting in the prior art was simply subtracted from the overall value of the telephone, there would be nothing left that could be attributed to the novel combination (the patented invention). Clearly, the combination increased the value of the coils, wires, amplifiers, and so on, that previously existed; § 284(b)(4) permits plaintiff to include these "additions to value" under § 284(b)(2) or (3) by showing the enhanced value of the combination due to the patented invention.

Amended § 284(b)(5) provides alternate mechanisms for determining a reasonable royalty when the two principal methods (§ 284(b)(2) and (3)) have been found by the court to be ill-suited to the facts of the case, and the court explains the reasons for that determination on the record. Paragraph (5) contains two approaches, which may be used singly or in combination.

The first looks to "any nonexclusive marketplace licensing of the invention." Where there is an established marketplace standard for licensing of the invention for the particular use made by the defendant, the royalties obtained under those licenses provide an established measurement of "reasonable royalty" for § 284 purposes. Courts often prefer to use this measurement, where available, rather than to estimate a royalty by constructing a hypothetical negotiation between the parties. This approach derives from the first of 15 factors identified by the court in *Georgia-Pacific v. United States Plywood Corp.,* 318 F.Supp. 1116, 1120 (S.D.N.Y. 1970), modified 446 F.2d 295 (2d Cir. 1971).

The second approach allows the court to select any other relevant factors under applicable law. This is designed to permit courts to address the situations in which the methods set forth in the other paragraphs of § 284(b) will not produce a just result. This includes factors courts have used in applying § 284 since 1952 or other factors the court determines to be necessary to achieve a just result. Since the amendments to that section do not change the basic framework ("damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer "), judicial approaches under existing law are relevant to the section as amended. This includes the 15 *Georgia-Pacific* factors. They appear in three groupings:

1. Rates and terms of marketplace licenses (factors 1–4, 7);
2. Nature of the invention, and its economic value to infringer (factors 6, 8–13);

3. Relationship and bargaining positions of the parties (factors 5, 15).

A court may use such factors individually or in combination as it finds appropriate, provided that it states its reasons on the record (including its reason for resorting to paragraph (5) in the first place).

The *Georgia-Pacific* factors were never intended as an exclusive list. As new forms of technology become patented, new forms of business relationships appear in the market, and new indications of infringement emerge, a court can craft additional factors to respond to the specifics of the case at hand. In addition, a court may take the opinion testimony of experts (factor 14). As noted above, such testimony should focus on the microeconomic variables that set the value of the actual invention, and should be stated with precision and specificity. The value of the invention is a function of many variables that affect supply and demand both for the invention itself and for products or processes that incorporate or rely on the invention. In making these determinations experts should focus on both the factors of production that affect the supply of the invention—the development, production, distribution, etc.—as well as the factors that determine demand, the value customers associate with the inclusion of the invention in a product or process as compared to products or processes that do not include the invention.

An explanation of how paragraph (5) would apply is provided by the example of insulin inhalers, which has been cited to the Committee a number of times, and was raised specifically by Kathryn L. Biberstein, Senior Vice President of Alkermes, Inc., in her testimony to the Senate on the topic of patent reform. Ms. Biberstein argued that the language of the bill requiring the assessment of damages based on the invention's specific contribution over prior art would exclude from damages analysis previously known technologies, potentially leaving without remedies inventors of devices such as insulin inhalers, where both its principal components—insulin and pump inhalers—are previously known technologies. Mr. Gary Griswold, of the 3M Corporation, made substantially the same arguments in his testimony to the House, using the example of Post-It notes.

Both instances present examples where combinations of existing technologies produce a valuable new invention. Of course, this is very much the norm. Few inventions are dramatic departures. In virtually all cases, inventions are the product of incremental change and cumulative growth in knowledge.

Although the Committee believes that both the insulin pump and the Post-It note are very much susceptible to a just damages analysis and compensation under paragraph (2) or (3), the specific purpose of including paragraph (5) is to ensure courts and juries have the latitude to rely on case law and common law when it determines just results cannot be achieved otherwise.

Under paragraph (5), licensing by Alkermes or 3M of its inventions, the terms and conditions of those licenses, would be fully available to the judge or jury as they calculated a reasonable royalty and could be considered if the standards discussed above are satisfied. If the patent owner has not licensed the invention, the court may find applicable the other *Georgia-Pacific* factors. In fact

the court under subparagraph (5) can rely on any of these factors provided their application is not inconsistent with the balance of this section, and the court determines that the methods specified in the statute are not capable of producing a just result. Still, it is the Committee's intention that courts should not continue the practice of instructing juries on all 15 *Georgia-Pacific* factors and leaving the jury to determine which factors are relevant. As required in § 284(b)(1), if the court determines that other factors are to be used to determine a reasonable royalty, then the court must also identify which of these factors are to be used and why.

Willful Infringement

Section 5(a) also amends 35 U.S.C. § 284(c), relating to willful infringement. As amended, § 284(c)(1) codifies the judicial doctrine that treble damages may be awarded when the court has determined that the infringer engaged in willful infringement.

Under the amended § 284(c)(2), willful infringement cannot be found unless there is clear and convincing evidence of one of the following:

(1) that an infringer continued to infringe after receiving written notice alleging acts of infringement in a manner that gives the alleged infringer reasonable apprehension of suit on those grounds, and identifies with particularity each claim that is infringed, each activity or product that infringes, and the relationship between the claim and the infringing product or activity; or

(2) the infringer intentionally copied the patented invention with knowledge that it was patented, or

(3) the infringer continued to infringe after having been found by a court to have infringed the same patent. In this case, the infringer must have been found to infringe a patent by engaging in acts not colorably different from activities that were found in the previous infringement action to have infringed the same patent.

Amended § 284(c)(3) places limitations on when infringing activities may be considered to have been willful. First, any act of infringement may not be deemed to be willful for any period during which the infringer had an informed good faith belief that activities later found to be infringing would not infringe the patent, or that the claims were invalid or unenforceable. The informed good faith belief may be based on reasonable reliance on advice of counsel, evidence that the infringer took significant steps to modify its conduct to avoid infringement once it became aware of the patent, or other evidence that the court may find sufficient to establish good faith belief. Under amended § 284(c)(3)(C), an infringer's failure to seek or present advice of counsel shall have no evidentiary implications regarding willfulness. It is the Committee's opinion that a documented search effort aimed at establishing freedom to operate, conducted prior to engaging in activities that were later found to infringe, may constitute evidence against willful infringement provided the search and resulting efforts to avoid infringing prior art patents are sufficiently extensive.

Amended § 284 (c)(4) bars the patentee from pleading willfulness and the courts from finding willfulness until the court first finds

that the patent in suit is valid and enforceable, and has been infringed by the infringer. The determination of willfulness shall be made by the court even when the rest of the case is tried to a jury. These provisions will reduce significantly the added expense and complications attributable to the process of determining willfulness during litigation by eliminating any consideration of willfulness in cases where the patent in suit is judged to be invalid, unenforceable or not infringed. In such cases there can be no damages payable to the patentee, and thus no consideration of treble damages.

Prior User Rights

Section 5(b) amends § 273, the defense to infringement based on an earlier invention (i.e., "prior user rights "). Under current law, prior user rights are available only for the prior use of business method patents. However, as amended, § 273(a) widens the scope of prior user rights to all patented inventions. Thus, users of all types of inventions, products or processes, will now be able to make use of the defense if the invention is later patented by another.

Another significant change will be the relaxing of conditions to make use of the defense. Under current law, in order to use the defense, a prior user must have made commercial use of the invention more than 1 year prior to another's filing of a patent application on the invention. However, the amended § 284(b)(1) will allow the prior user defense to be applied to a qualifying use prior to the filing date of a claimed invention. Furthermore, a qualifying use may be either a commercial use or substantial preparation for commercial use.

Review of Effects of Section 5 Amendments

Section 5(e) mandates that the Director conduct a study on the effectiveness and efficiency of the amendments made by this section, and submit to the Committees on the Judiciary of the House of Representatives and the Senate a report on the results of the study. The report must include any recommendations the Director may have on amendments to the law and any other recommendations the Director may have with respect to the right of the inventor to obtain damages for patent infringement. The study must be done not later than the end of the 7-year period beginning on the date of enactment of this Act and at the end of every 7-year period after the date of the first study. It is the opinion of the Committee that the amendments in section 5 of the bill will have many positive effects on the patent system, but that the changes are sufficiently significant to require periodic monitoring. By examining the effects of these changes on a regular basis, and by paying attention to such feedback as may be obtained through these studies, Congress can ensure that any unforeseen negative consequences that may arise can be dealt with through future legislation or other mechanisms.

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

Reexamination

Section 6(a) amends *ex parte* and *inter partes* reexamination and establishes a new post-grant review procedure.

Under the amended § 301(a)(2), a person requesting reexamination may cite to written statements of the patent owner made before a Federal court or the USPTO in which the patent owner takes a position on the scope of one or more patent claims. The Committee heard comments that patent owners would, occasionally, offer differing interpretations of cited prior art. They might take one position during litigation or initial examination, and a different one during reexamination. This amendment is meant to allow such earlier statements to form part of the reexamination record. These written statements, which include, documents, pleadings, or evidence from the aforementioned proceedings that address the patent owner's statements, shall not be considered for any purpose other than to determine the proper meaning of the claims that are the subject of the request in a proceeding.

Under current law, if a reference is "disseminated or otherwise made available to the extent that persons interested and of ordinary skill in the subject matter or art, exercising reasonable diligence can locate it," it will qualify as a "printed publication." *MIT v. AB Fortia,* 774 F.2d 1104 (Fed. Cir. 1985) (oral presentation to technical audience accompanied by distribution of some copies satisfied "publication" requirement). This includes modern forms of communication such as presentation slide shows. *In re Klopfenstein,* 380 F.3d 1345 (Fed. Cir. 2004). Even a single copy of a document, such as a doctoral thesis, indexed and catalogued in a library, qualifies as a "printed publication" if it is "sufficiently accessible to a researcher who exercised reasonable diligence." *E. I. du Pont de Nemours & Co. v. Cetus Corp.,* 19 USPQ2d 1174 (N.D. Calif. 1990).

The Committee endorses the current case law and definition of print publication for purposes of prior art citation under § 301 and recognizes that the definition will evolve commensurate with advances in technology and public accessibility of information.

Section 6(b) amends § 303(a) relating to *ex parte* reexaminations by allowing the Director to determine whether a substantial new question of patentability exists based on patents or publications discovered by the Director, cited under § 301, or cited by any person other than the owner of the patent under § 302 or § 311. The term "publication" as used here is meant to have no operative difference with the term "printed publication" as used in § 301.

Section 6(c) amends § 314 relating to the conduct of *inter partes* reexamination proceedings. Amended § 314(a) deletes the procedure for reexamination under §§ 132 and 133, and replaces it with a new procedure using Administrative Patent Judges (APJs). Under current law, reexaminations are conducted by patent examiners in the same manner as initial examinations. However, reliance on the same corps of examiners to uncover and correct errors in their colleague's initial decisions may result in institutional bias. The amendment replaces reexamination by patent examiners with reexamination by APJs. APJs are defined by 35 U.S.C. § 6 as "persons of competent legal knowledge and scientific ability who are appointed by the Director."

Amended § 314(b) enlarges the opportunity that a third-party requester has to participate in an *inter partes* reexamination. Under current § 314(b)(2), the third-party requester can reply only to patent owner responses to office actions. The amendment allows the

requester to also file written comments in response to the office action itself. In both cases (response to the office action, reply to patent owner's response), the requestor's filing must be received within 60 days of the precipitating event.

Amended § 314(d) allows either party to an *inter partes* reexamination to request an oral hearing before the APJ. Here, an "oral hearing" is equivalent to an oral argument, as at a motion hearing or appeal in civil litigation. It is not an opportunity to present evidence or witnesses. Since the grounds for *inter partes* reexamination are limited by § 301 to documentary prior art, all supporting materials introduced by a party should be part of their written submissions. The APJ may dispense with an oral hearing if he feels it would not aid disposition of contested matters.

Section 6(d) amends § 315(c), the estoppel provision in *inter partes* reexamination. Under current law, § 315(c) estops a third-party requestor from reasserting in civil litigation the invalidity of a patent claim "finally determined to be valid and patentable on any ground which the third-party requester raised *or could have raised* during the *inter partes* reexamination proceedings." The highlighted language creates a form of *res judicata,* or "claim preclusion" in civil procedure, by prohibiting renewed challenges to patent claims even where a precise ground for invalidity was not asserted in the prior action. This has discouraged many challengers from utilizing the *inter partes* reexamination procedure. Accordingly, § 315(c) is amended by removing the phrase "or could have been raised."

Section 6(e) amends § 317(b), which precludes *inter partes* reexamination of a claim following civil action upholding its validity. The heading of § 317(b) is amended from "Final Decision" to "District Court Decision" and its text is amended to read "Once the judgment of the district court has been entered." By this change, an *inter partes* reexamination may not be instituted after a district court decision.

Post-Grant Review

Section 6(f) adds Chapter 32, commencing with § 321 which describes a petition for post-grant review as a petition by a third-party ("a person who is not the patent owner ") seeking "to cancel as unpatentable any claim of a patent on any ground" going to patentability under Chapter II (35 U.S.C. § 100, et seq). A reissue patent under § 251 may be challenged on the same grounds. The Director will prescribe the filing fee to be paid by the cancellation petitioner.

Conditions for filing a cancellation petition are defined in § 322. The opportunity to challenge is limited to 12 months after a patent issues or reissues. However, a patent owner may consent in writing to a post-grant review proceeding at any time. Where a challenger is outside the § 322 window, his only means to challenge the validity of a patent is to file a request for reexamination or challenge the patent's validity in a judicial proceeding.

Requirements of the petition for cancellation are set forth in § 323. A petition must:

(1) be accompanied by the filing fee;

(2) identify the cancellation petitioner;

(3) set forth in writing the basis for the cancellation and each claim challenged, including other information as required by the Director; and

(4) provide copies of patents and printed publications relied upon, both to the office and to the patent owner (or representative).

The purpose for requiring a petitioner to identify and provide copies of his evidence is both to provide full notice to the patent holder and to streamline the process. It is expected that the Director will promulgate regulations under this section to require petitioner to include all information he has, relating to the patent (e.g., other documentary evidence, affidavits), at the time of filing. Further information beyond the initial filing may be submitted only pursuant to § 325. A petition that fails to comply with the filing requirements, or alleges insufficient grounds for post-grant review, will be dismissed pursuant to § 325.

Multiple challenges are prohibited under § 324. A cancellation petitioner may not file a second post-grant opposition proceeding against the same patent, including other claims of the patent, irrespective of its disposition. To avoid collusive filings, the "same cancellation petitioner" includes other parties, although not named in the earlier petition, if they were in privy with the petitioner. "Privy" describes a person or entity that was "in privity" with the named parties of record. This includes non-parties to the first action whose interests are so closely aligned with a named party, that a judgment against the latter should be preclusive as to all. See generally 18–131 Moore's Federal Practice—Civil § 131.40.

Under § 325(a), the Director may require a cancellation petitioner to provide additional information, either before initiating the proceeding or after. The Director must determine whether the original petition, together with additional information supplied, establish a substantial question of patentability for at least one claim in the patent. If he determines that it does not, the petition must be dismissed.

A substantial question of patentability exists where there is a substantial likelihood that a reasonable examiner would consider the prior art reference or other information supplied by the petitioner important in deciding whether or not the claim is patentable. It is not necessary that a *prima facie* case of unpatentability exist based on the reference or information. *In re Etter,* 756 F.2d 852, 857 n.5 (Fed. Cir. 1985). Furthermore, questions of patentability reviewed by an examiner during prosecution may serve as the basis for post-grant review.

Under § 325(b), the Director is required to send notice to the patent owner and each petitioner, within 60 days of the filing of the petition, of the determination made under § 325(a). The Director's determination is not reviewable by appeal or otherwise (e.g., by writ of mandamus). Dilatory petitions can obstruct successful exploitation of a patent by using the post-grant review process as a delaying tactic. Foreclosing review is thought necessary to avoid this problem

Under § 326 the Director is required to promulgate regulations governing the conduct of post-grant review proceedings. It also specifies that the proceeding will be conducted before the PTAB.

Under § 326(a) the Director is required to promulgate regulations in three areas. Paragraph (1) provides specific authority, consistent with the USPTO's general regulatory authority in 35 U.S.C. § 2(b), to issue regulations "establishing and governing post-grant review proceedings . . . and their relationship to other proceedings under this title." The first of these authorizations is modified by the requirements set forth in subsection 9(b). The latter authorization is read in conjunction with new § 333 (Relationship to other pending proceedings). Together, they allow the Director to coordinate or terminate co-pending proceedings related to the same patent.

Paragraph (2) authorizes regulations regarding submission of information by the parties as provided in § 325. Although § 323(3) requires a cancellation petitioner to include [with the petition] copies of patents and printed publications upon which it relies, the form of other permitted or required evidence is not specified. This paragraph allows the Director to specify what types of submissions (e.g., declarations, affidavits) may be made, and when they can be filed.

Paragraph (3) authorizes regulations regarding discovery. Such discovery must be related to factual assertions advanced by either party. It is expected that the Director will promulgate regulations concerning the availability, scope and timing of discovery, limiting it to relevant evidence or information likely to lead to relevant evidence. The Director can also specify the conditions for protective orders and submission of evidence under seal (e.g., confidential matters). Discovery may occur only upon order of the Director, as per § 326(b)(2) and should reflective of the fact that this is an administrative proceeding and not a court proceeding.

Specific limitations on the regulations promulgated by the Director pursuant to § 326(a)(1) are imposed by § 326(b).

Paragraph (1) requires that a post-grant review proceeding conclude no later than 1 year after it is initiated. For good cause shown, the Director may extend this period up to 6 months.

Paragraph (2) precludes discovery except upon order of the Director. Thus, despite a possible broad reading of § 326(a)(3) to permit automatic or as-of-right discovery, this paragraph requires the Director to order any discovery request, which should generally be contingent upon approval by the APJs hearing the post-grant review proceeding.

Paragraph (3) governs publication of petitions for post-grant review and related documents. Notice of the petition must be published in the Federal Register. This will identify the petitioner, the patentee or patent holder, and the patent claims in dispute. The full petition, together with supporting and opposing documents and other pleadings, and orders and decisions, will be published to the USPTO website, except for those filings made under seal.

Paragraph (4) authorizes the Director to discourage harassment through abuse of the post-grant review process, by specifying the actions that constitute abuse and by prescribing appropriate sanctions. The Director is given wide discretion to protect the integrity of the process, and may impose sanctions in the form of monetary fines (or payments to other parties) or restrictive orders relating to the proceedings, including dismissal of petitions or cancellation of claims.

Paragraph (5) authorizes regulations to protect confidential matters, such as trade secrets.

Paragraph (6) requires that any submissions by the patent owner become part of the patent file, and be made publicly available to the same extent as other matter in the file, except where subject to protective orders.

The considerations the Director must take into account in promulgating regulations under § 326(a) and (b) are set forth in § 326(c). These are: "the effect on the economy, the integrity of the patent system, and the efficient administration of the Office." As used here, "effect on the economy," means simply the cost to the parties of conducting the post-grant review process, including complying with the regulations issued under this section.

All post-grant review proceedings under this chapter are required to be conducted by the PTAB by § 326(d).

The patent owner is given the right to respond to the cancellation petition by § 327. However, this right is available only after a post-grant review proceeding has been initiated by the Director pursuant to § 325. Accordingly, the determination made by the Director merely tests the sufficiency of the allegations and supporting documents in the petition; it is not an opportunity to resolve conflicting positions. In his response after the Director has initiated the proceeding, the patent owner has the right to submit affidavits, declarations, expert opinions and other evidence bearing on patentability. The time period for the patent owner's response shall be set by the Director by regulation.

Under § 328(a), the presumption of validity set forth in § 282 shall not apply in a challenge to any patent claim under this chapter. Given that post-grant review is not "judicial review," with its attendant deference to agency determinations, the presumption of validity found in § 282 is not required, either by the Administrative Procedure Act or general separation of powers principles. Indeed, the whole purpose of post-grant review is to test the validity of the patent vel non; to catch patents that never should have issued in the first place.

The burden of proving a proposition is allocated to the party advancing that proposition by § 328(b). The term "burden of proof" is used here in its common sense as including both the "burden of production" and the "burden of persuasion." Both are imposed, with respect to a particular proposition, on the party putting forward that proposition. For example, a challenger claiming that prior art makes obvious the patented invention would have to both (1) produce and authenticate the prior art, and (2) persuade the APJ that a person of ordinary skill in the relevant art would find the invention obvious in light of that prior art.

Also, § 328(b) defines the standard of persuasion as preponderance of the evidence. In the example, the APJ would have to find it more likely than not that a person of ordinary skill in the art would find the invention obvious in light of the reference. This is the same standard used in reexamination proceedings. See Patent Office Rule 1.555 (b)(2)(ii).

Under § 329, in response to a cancellation petition, the patent owner may file a motion to amend the patent by canceling or substituting any challenged claim or by amending the specification or drawings. One such motion may be filed as of right under § 329(a); subsequent motions will be granted only for good cause shown as

per § 329(b). A substitute claim cannot enlarge the scope of the original claim nor introduce new matter.

Under § 330, once the Director has initiated a post-grant review proceeding, the PTAB must render a written decision respecting the patentability of any challenged or new claim (as permitted by § 329), unless the matter is first settled pursuant to § 332.

Under § 331(a) and following a decision of the PTAB, the Director shall issue and publish a certificate canceling any claim found by the PTAB to be unpatentable, or incorporating into the patent any new claim determined to be patentable.

Pursuant § 331(b), any new claim incorporated into the patent shall have the same effect as that of a reissue patent under § 252. A pending case or cause of action for acts that infringed a valid claim replaced pursuant to § 329 is not abated by that claim's replacement if the new claim is substantially similar to the one it replaces. However, acts that infringe only newly added claims, but not claims in the original patent, that were commenced (or substantial preparations were made for such acts) prior to the date of the Director's certificate under § 331, may continue under such conditions as a court specifies in an infringement action. This provision conforms acts commenced prior to a recertified patent to the policy of "prior user rights" in § 273.

Under § 332(a), the patent holder and cancellation petitioner may agree to settle and terminate the post-grant review proceeding at any time before the Board issues its written decision. The provisions of § 335, relating to estoppel, do not apply to any petitioner who settles under this section. Where there are multiple petitioners, the proceeding may be settled for fewer than all of them. If the sole petitioner settles, or all petitioners settle, the Board shall terminate the proceeding.

Pursuant to § 332(b), all settlement agreements must be in writing with a copy filed in the Patent Office. Any collateral agreements (such as license or covenant not to sue) must accompany the filing. At the request of any party, the settlement agreement shall be sealed and made available only to government agencies on written request, or other person for good cause shown.

The Director is authorized by § 333(a) to resolve any conflicts or inconsistencies arising from the co-pendency of post-grant review under this chapter with another post-issue review proceeding. Several changes made by this statute can affect pending USPTO proceedings. Not only does the newly added chapter 32 create a post-grant review process, but adoption of the first-inventor-to-file system (section 3 of the statute), expanded reexamination procedures (sections 6(a)—(e)), and the new derivation proceeding (section 3(i)), among others, can affect pending reexamination, reissue and interference proceedings. While some sections have a delayed effective date, conflicts still could arise among co-pending proceedings. Also, because of multiple routes to post-issue review of patents, or separate proceedings brought by multiple parties, some overlap can be expected even after the statute becomes fully operative. Pursuant to § 333(a), the Director may stay, transfer, consolidate or terminate such other proceedings. This provision is designed to promote judicial economy by having fewer proceedings on the same issue.

Another set of potential conflicts, arising from the co-pendency of post-grant review proceedings and infringement actions in district

court, are addressed by § 333(b). Under this provision, the Director may stay the post-grant proceeding if a pending infringement action addresses the same or substantially the same questions of patentability. That would presumably occur wherever the claims-in-suit are the same as those challenged by the cancellation petitioner. The stay authority is discretionary with the Director.

A final decision in a civil case has a preclusive effect on the parties in a later civil action. Section 317(b) in current law extends preclusion to later filed or pending *inter partes* examinations. New § 334 does the same for post-grant review proceedings. It applies to all patent litigation cases where jurisdiction is, or could be, based on 28 U.S.C. § 1338 (jurisdiction in intellectual property cases). "Final decision" means a final judgment. Thus, a decision of the district court has no preclusive effect until it has been upheld on appeal or the time for appeal has lapsed. Preclusion extends to any cancellation petitioner who was a party, or a "privy" to a party, in an earlier civil action.

Preclusion under § 334 operates in two situations. Under paragraph (1) a precluded party may not request a post-grant review proceeding on any patent claim previously adjudicated against it on the basis of any ground that the party raised or could have raised. The "could have raised" language makes this a broad form of preclusion, similar to claim preclusion or res judicata in civil litigation. It is not limited to facts or legal issues actually decided. Thus, a new ground for unpatentability (e.g., newly discovered prior art) ordinarily could not serve as a basis for a later-instituted post-grant review proceeding. Nominally, preclusion applies only to grounds raised under the provisions of § 311, i.e. anticipation or obviousness resulting from prior art consisting of patents and printed publications. However, the reference to § 311 is illustrative, not limiting. Thus, a patent claim may not be made the subject of a post-grant review proceeding, irrespective of the reason alleged for unpatentability, if it had previously been adjudicated in district court.

Preclusion under paragraph (2) operates in much the same way as under paragraph (1), except that it applies to pending post-grant review proceedings. Once a final decision adverse to the cancellation petitioner has been entered in Federal court, any precluded claims must be severed from the pending post-grant review proceeding. If no claims remain in the proceeding, it must be dismissed.

Preclusion under § 334 operates only if validity of the claim is called into question, and upheld, in the prior civil action. If the claim is not challenged as unpatentable, then the judgment does not preclude a pending or later-filed post-grant review proceeding.

Similar to § 334, § 335 provides preclusion where the first decision is in a post-grant review proceeding under this chapter. However, it differs in an important respect. Preclusion applies only to a ground which the cancellation petitioner raised, not to grounds that could have been raised. Thus, it operates similar to issue preclusion or collateral estoppel in civil litigation. Only grounds actually asserted (whether or not decided) in the prior proceeding serve as the basis for preclusion. This difference is partly based on the Committee's intent that some form of post-issue review remain available throughout the life of a patent, so as to accommodate

newly discovered prior art or application of patent claims to new circumstances.

Preclusion under § 335 applies only to final decisions of the PTAB issued under § 330. Preclusion is effective as soon as the decision issues, even if it is subsequently appealed to the Federal Circuit. Of course, if the court reverses or remands, the decision may no longer be favorable to patentability, thus undoing the basis for asserting preclusion.

Under § 335, preclusion will apply to all of the following, (1) new or ongoing *inter partes* reexaminations, (2) new or ongoing derivation proceedings under § 135(a), (3) new or other ongoing post-grant review proceedings under chapter 32, and (4) new or ongoing patent litigation cases, including declaratory judgment cases.

Judicial review of a final decision of the PTAB is given exclusively to the Federal Circuit by § 336. It references, and is therefore identical to, appeal provisions in the patent code (specifically 35 U.S.C. §§ 141–145) applicable to other decisions of the PTAB. Any party to the post-grant review proceeding has standing on appeal.

Conforming Amendment

The table for part III ("Patents and Protection of Patent Rights") is amended to conform to the new chapter added by section 6(f).

Repeal of Former Estoppel Provision in Inter Partes Reexamination

Section 6(h) repeals § 4607 of the Optional Inter Partes Reexamination Procedure Act of 1999, which describes the estoppel grounds in *inter partes* reexamination. Estoppel resulting from *inter partes* reexamination decisions is now governed by § 315(c), as amendment by this Act.

Effective Dates

Under section 6(i), the amendments made by section 6 become effective 1 year after the date of enactment of this statute. Once effective, the amendments made to § 301 (citation of prior art) and to chapter 31 (*ex parte* reexamination) will apply to all patents, irrespective of when issued. This supercedes any previously stated effective date for *inter partes* reexamination. See Optional Inter Partes Reexamination Procedure Act of 1999, § 4608 (applicable only to patents issued after Nov. 20, 1999).

But, chapter 32 (post-grant review procedure) will apply only to patents issued on or after the section's effective date. Accordingly, patents issued at any time before the effective date are subject to the amended reexamination provisions, but not subject to post-grant review proceedings.

Regulatory Authority

Section 6(j), requires the Director to promulgate regulations governing chapter 32 post-grant review proceedings as described in § 326, not later than 1 year after enactment of this Act. This is time frame is made with the effective date of chapter 32 in mind. Because the regulations must be in place when the post-grant review procedures become operative, the Director will need to promulgate and publish the regulations, for notice and comment, in advance of the date set by this section.

SEC. 7. DEFINITIONS: PATENT AND TRIAL APPEAL BOARD

Section 7 amends 35 U.S.C. § 6(a) to define the composition of the PTAB to include the Director, Deputy Director, Commissioner for Patents, the Commissioner for Trademarks, and administrative patent judges. This corrects the current language of § 6(a) which names the Deputy Commissioner instead of the Deputy Director to the Board.

As amended, § 6(b) defines the duties of the Board. These duties include hearing appeals from adverse decisions by examiners, hearing adverse decisions by examiners on *ex parte* reexaminations, hearing appeals from *inter partes* reexamination, determining the right to patent in derivation proceedings, and conducting post-grant review proceedings.

Also under amended § 6(b), the Director is to assign each post-grant review proceeding to a panel of three administrative patent judges. It is the Committee's intention that only administrative patent judges may adjudicate post-grant review proceedings and that the Director, Deputy Director, the Commissioner for Patents, and the Commissioner for Trademarks may not participate in the adjudication of post-grant review proceedings. The purpose of this provision is to prevent political considerations from influencing post-grant opposition decisions.

Section 7 also defines an additional term, "cancellation petitioner" as the real party in interest who requests a post-grant review proceeding as provided in Chapter 32, and its privies.

SEC. 8. STUDY AND REPORT ON REEXAMINATION PROCEEDINGS

Section 8 directs the Director to conduct a study of the effectiveness and efficiency of reexamination proceedings available under Title 35 of the U.S. Code, and to submit a report on the results of the study to the Judiciary Committees of the House of Representatives and Senate, along with any suggestions or recommendations the Director may have to amend the law with respect to patent reexamination proceedings or otherwise change the way reexamination proceedings operate. The study is to be initiated not later than 2 years after the date of enactment of this Act. The Director should focus the study on whether *ex parte* reexamination, *inter partes* reexamination, or both, should be phased out or merged, particularly in light of the newly created post-grant opposition proceeding.

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

Section 9 amends § 122 which provides guidelines to the publication of pending patent applications. Under current § 122(b)(2)(B), an applicant is allowed to request that an application not be published if the applicant certifies that the invention disclosed in the application will not be the subject of an application filed in another country or under a multilateral international agreement that requires publication of applications 18 months after filing. Section 122(b)(2)(B) is struck, thus all non-provisional utility patent applications will be published 18 months after application, unless they are abandoned prior to the 18 month publication date, or are subject to a secrecy order.

Section 9 also adds § 122(e) which allows third parties to submit patents, printed patent applications and other publications of potential relevance for consideration by an examiner and inclusion in the record of a published application. Third party submitted references must be made in writing before the earlier of either the mailing of a notice of allowance in the application for patent, or the later of 6 months after the date of publication or the date of the first rejection under § 132 of any claim in the application for patent. To be considered and placed in the record of a published application, a submitted reference must be accompanied by a concise description of its asserted relevance, any fee that may be prescribed by the Director, and a statement that the submission was made in compliance with § 122.

SEC. 10. TAX PLANNING METHODS NOT PATENTABLE.

Section 10 amends § 101, which defines patentable subject matter, by adding paragraph (b)(1) which states that a patent may not be obtained for a tax planning method. Paragraph (2) defines the operative terms. Here, a tax planning method is any plan, strategy, technique, or scheme that is designed to reduce, minimize, or defer a taxpayer's tax liability, or has such effect. Excluded from the definition (and hence not unpatentable) are tax preparation software or other tools used solely to perform or model mathematical calculations or prepare tax or information returns. The intention is to prohibit the following tax planning methods:

(1) Patents claiming strategies for reducing tax liability;
(2) Patents claiming investment strategies, to the extent the patent claims the sheltering of income from tax liability; and
(3) Patents claiming strategies designed to maximize investment return, to the extent the patent claims the minimization of taxes on those returns.

Excluded from the definition of "tax planning method" are, inter alia:

(1) Patents claiming software to assist in determining tax liability; and
(2) Business method patents, including investment strategies, to the extent tax planning methods are not claimed

If a patent or application claims both excluded and not-excluded subject matter, the latter claims are unaffected by this amendment.

The exceptions to non-patentability, found in § 101(b)(2), covering tax preparation software and the like, does not necessarily mean that such items are patentable. Rather, any patent or application falling within the exception, whenever issued or filed, will be subject to generally applicable patent standards and procedures. The Committee does not intend by this exclusion to express any view on the patentability of such inventions.

Pursuant to § 101(b)(2)(B), "taxpayer," for purposes of § 101(b), is any individual, entity or other person (as defined by 26 U.S.C. § 7701) subject to taxation or a tax law, or is required to prepare a tax return or other information for someone who is.

"Tax" and related terms are defined by § 101(b)(2)(C) and include any form of state, local or Federal tax, whether income, gift and es-

tate, consumption and sales, property, ad valorem or any other similar government levy. It does not include foreign taxes.

Section 10 becomes effective on the date of enactment of the Act. It applies to all applications filed on or after the effective date, and to all pending applications that have not resulted in an issued patent as of the effective date. Patents issued before the effective date are unaffected by this section. However, pursuant to § 101(b)(3), this grandfather provision shall not be construed as validating any patent issued before the date of enactment of this Act for an invention described in 35 U.S.C. § 101(b), as amended by this section.

This provision expresses the Committee's intent that previously issued tax strategy patents should be evaluated, if subject to review in litigation or USPTO post-issuance review, based on standards existing at the time of issue. The prospective exclusion of such patents under § 101(b) shall not be construed as expressing the Committee's view that, prior to that time, such patents were valid.

SEC. 11. VENUE AND JURISDICTION

Venue

Section 11(a) amends 28 U.S.C. § 1400(b) relating to venue in patent cases by completely replacing the current language with a detailed means for establishing venue. Section 11 also amends § 1292 of the same title pertaining to interlocutory appeals.

The new § 1400(b) prohibits manufactured venue by virtue of assignment, incorporation, or otherwise. As used in the case law, "manufactured venue" usually refers to a plaintiff taking advantage of the liberal venue rules in § 1391, but still in literal compliance with the statute. See, e.g., *Sidney Coal Co. v. SSA,* 427 F.3d 336 (6th Cir. 2005). In this sense, manufactured venue is entirely permissible since venue cannot be defeated based on plaintiff's motives. *Martin v. United States,* 323 F. Supp. 1131 (D. Pa. 1970). Manufactured venue for patent venue purposes is redefined by § 1400(b). It precludes venue otherwise permitted by § 1400(c) and (d), if the circumstance on which venue is based has no independent purpose. It is similar to (but broader than) the collusive venue doctrine and similar in function to § 1359 of the Judicial Code:

> "A district court shall not have jurisdiction of a civil action in which any party, by assignment or otherwise, has been improperly or collusively made or joined to invoke the jurisdiction of such court."

Examples of manufactured venue under amended § 1400(b) include:

(1) A patent holder who assigns or licenses his patent rights to a person or entity residing elsewhere, for no apparent reason other than to obtain a preferred venue;

(2) Collusive or fraudulent joinder of a plaintiff or defendant to secure venue based on that party's location;

(3) A party incorporating or reincorporating, or creating or merging with a subsidiary, in a district primarily for venue purposes;

(4) A defendant who seeks a change of venue (see § 1400(d)) based on the situs of relevant evidence or witnesses recently relocated or procured in the transferee district.

The sole authority for venue on the basis of defendant's residence is established under § 1400(c). The expanded venue provisions of § 1391(c) are no longer applicable to patent infringement cases, although they still are in other cases involving patents (e.g., declaratory judgment).

Under paragraph § 1400(c)(1), venue is proper at the following locations:

(1) Where defendant has its principal place of business; or

(2) Where the defendant is incorporated, if a domestic corporation; or

(3) Where the defendant's primary United States subsidiary, if any, has its principal place of business or is incorporated, if the defendant is a foreign corporation;

The term "where the defendant resides" in existing § 1400(b) was limited, in the case of a corporate defendant, to the state of its incorporation. *Fourco Glass Co. v. Transmirra Products Corp.,* 353 U.S. 222 (1957). Within that state, its residency is where it has its principle place of business. *Zin-Plas Corp. v Plumbing Quality AGF. Co.,* 622 F Supp 415 (WD Mich, 1985). The amendment to § 1400(b) expands venue based on defendant's residency to include states other than the state of incorporation if their principal place of business is there, and in the case of foreign corporations. The term "principal place of business" has a long and well established meaning in case law, and its is the Committee's intention that the term be so defined. See, e.g., *Panhandle Eastern Pipe Line Co. v. Federal Power Com'n.,* 324 U.S. 635 (1945); *United Nuclear Corp. v Moki Oil & Rare Metals Co.,* 364 F2d 568 (10th Cir. 1966).

A foreign defendant without a United States subsidiary could not be sued on the basis of § 1400(c)(1). Where § 1400 provides no forum for an infringement suit against a foreign defendant, a court should look to § 1391(d) ("an alien may be sued in any district "). *Brunette Machine Works, Ltd. v. Kockum Industries, Inc.,* 406 U.S. 706, 714 (1972); *Zin-Plas Corp* (infringement suit against U.S. citizen with no domestic residence governed by § 1391(d)). The amendment to § 1400 does not change this rule.

The amendment to § 1400(b)(1) also does not affect the rule that, in case of multiple defendants, venue must be proper for all of them. Thus, unless the principal place of business or state of incorporation are common, paragraph (1) may not be used as a basis for venue.

Venue under § 1400(c)(2) is more restrictive. Under current law, venue is where the defendant has committed acts of infringement and has a regular and established place of business. Section 1400(c)(2) adds two requirements:

(1) a substantial portion of the acts of infringement must occur in the district; and

(2) the defendant must have a regular and established physical facility that the defendant controls and that constitutes a substantial portion of the operations of the defendant.

It is also important to note that both tests under subsection (c)(2) must be met. If not, plaintiffs must establish venue under the other subsections of this section.

The requirement of substantial acts of infringement is intended to reduce plaintiff forum shopping, especially in cases of nationwide sales and uses. The other requirement, operations at defendant-controlled physical facility, may also reduce the available fora. Regular and established place of business, under the existing patent venue statute, is often interpreted to require a significant on-going corporate presence in the district, but a fixed physical presence has not been required. See, e.g., In re Cordis Corp., 769 F2d 733 (Fed. Cir. 1985). The amendment to § 1400(c)(2) adds a fixed physical presence as a requirement.

As per 35 U.S.C. § 271(a), acts of infringement can occur where the defendant makes, uses, offers to sell, or sells any patented invention, or imports an infringing product into the United States. Venue based on § 1400(c)(2) would exist only where a substantial portion of the infringing acts occurs. In the case of infringement by manufacture, that will likely be the defendant's principal manufacturing facility, at least for the infringing product, which may or may not also constitute a substantial portion of the operations of the defendant. If these conditions describe separate facilities in different districts, then venue cannot be based on § 1400(c)(2). The same analysis would apply to infringement by use.

In the case of infringement by sale or an offer to sell, a substantial portion of infringing acts describes where a substantial number of sales or offers occur. If defendant does not have a qualifying facility in that forum, then § 1400(c)(2) is not available.

Finally, the place of importation, if that is the infringing act, must also be where defendant has a qualifying physical facility.

As with § 1400(c)(1), venue based on § 1400(c)(2) must be proper as to all defendants. A forum where a substantial portion of the acts of infringement occurs with respect to one defendant may not be the with respect to another defendant. Or, more likely, the multiple defendants will not all have qualifying physical facilities in the same forum.

"Congress does not in general intend to create venue gaps," *Brunette,* 406 at 710. The Committee recognizes, however, that the "all defendants" rules of § 1400(c)(1) and (2) could, in isolated cases, leave a case without a suitable forum. It is not the Committee's intent that infringement plaintiffs not be able to sue at all. Therefore, where no district would have venue under § 1400(c), the regular venue statute, 28 U.S.C. § 1391, should apply.

Under § 1400(c)(3), venue is proper at the primary plaintiff's residence if it is an institution of higher education as defined by 20 U.S.C. § 1010(a); e.g., accredited post-secondary 4-year degree-granting institutions and 2-year credit-granting institutions. Most plaintiffs taking advantage of this venue provision will be universities with research programs. In some cases, however, the university is not the patentee or the holder of patent rights, or not the "primary plaintiff."

Under § 1400(c)(4), venue is proper where the plaintiff or subsidiary has an established physical facility dedicated to research, development, or manufacturing that is operated by full-time employees, or where the sole plaintiff is an individual inventor who

is a natural person and who qualifies at the time such action is filed as a micro entity.

The plaintiff's physical facility need not be the counterpart of a defendant's physical facility for venue under § 1400(c)(2). It does not have to be regular and it does not have to constitute a substantial portion of the party's operations. But it does have to be operated by full-time employees, which, may approximate the "regular" requirement of § 1400(c)(2). Moreover, the facility must be one for research, development, or manufacturing. This requirement will exclude many "non-practicing entities;" i.e., plaintiffs for whom the patent-in-suit is more of a financial or investment instrument than a means for manufacturing, using or marketing a product or process. It is the Committee's intention that university licensing entities, whether acting as a unit of a university or as a related third party, be considered a facility dedicated to research and development.

As in the case of defendants, venue under § 1400(c)(4) must be proper as to all plaintiffs in the case of multiple plaintiffs.

The combined effect of § 1400(c)(3) and (4) is to allow many plaintiffs to sue in the forum of their residence. However, excluded are patent holding companies and owners of "liquid patents." See, Amy Landers, Liquid Patents, 84 Denv. U.L. Rev. 199, 233 (2006). Venue in cases filed by such entities must be based on paragraphs § 1400(c)(1) or (2).

The exclusive method for change of venue in patent infringement cases is provided by § 1400(d), supplanting the general change of venue statute, 28 U.S.C. § 1404. In patent infringement cases, where venue is governed by § 1400, a change of venue is permissible only to another district where the defendant has substantial evidence or witnesses, and change of venue is proper under § 1404. Where it applies, a defendant can choose any forum that would have been proper under the old venue statute, as modified by 28 U.S.C. § 1391(c) in the case of corporate defendants.

It is expected that most motions for change of venue under § 1400(d) will be filed by defendants. Egregious forms of defendant forum shopping are avoided by the rule against manufactured venue in § 1400(a). Furthermore, a change of venue is discretionary with the district court.

While § 1400(d) supersedes 28 U.S.C. § 1404, it does not supersede 28 U.S.C. § 1406. This latter provision allows a court to cure a defect in venue by transferring the case to any district or division in which it could have been brought. It also allows the parties to waive venue defects, such as by failure to timely interpose an objection.

The Committee understands that certain jurisdictions have seen a rapid rise in patent infringement filings in the first half of 2007, perhaps due to Congressional efforts to reform and bring balance to the patent laws. The Committee urges the courts to provide appropriate scrutiny to any recent case filings to ensure that they are being pursued in a proper venue, and where there is some nexus to the issues of the case. If cases have been inappropriately filed, the Committee urges the courts to consider transferring them to more appropriate forums, according to the procedures permitted under 28 U.S.C. § 1404.

Interlocutory Appeals

Section 11(b) amends 28 U.S.C. § 1292(c) by allowing appeals from interlocutory orders that determine construction of claims in patent infringement suits. The district court will have discretion as to whether to approve the appeal and whether to stay the proceedings.

In most patent infringement cases, a question is raised about the scope of the invention as defined by the claims and limitations in the patent. Because construing patent claims is usually complicated and is a matter of law, *Markman v. Westview Instruments, Inc.,* 517 U.S. 370 (1996), courts often conduct pre-trial hearings to determine the scope of claims, without regard to the question of infringement. These so-called "Markman hearings" do not neatly fit into the narrow categories of immediately appealable interlocutory orders and cannot ordinarily be appealed until after trial and judgment. Furthermore, the Committee has heard testimony that the Federal Circuit's reversal rate of claim construction is unusually high. For these reasons, the District Courts will now have to certify the interlocutory appeal for it to go forward.

SEC. 12. ADDITIONAL INFORMATION; INEQUITABLE CONDUCT AS A DEFENSE TO INFRINGEMENT

Disclosure Requirements

Section 12(a) amends Chapter 11 of Title 35 of the United States Code by adding §§ 123 and 124.

The newly created § 123 gives the Director of the USPTO authority to require applicants to submit a search report with an analysis relevant to the patentability of the invention claimed in the application. Noncompliance with the requirements within the time periods prescribed by the Director as abandonment of the application are also addressed by § 123.

The proposed statutory language of § 123 does not define in any detail what is necessary or sufficient to meet these requirements as the Committee believes that is best left to the Director. The USPTO has discussed the need for some sort of examination support document or applicant quality submission to improve the examination process. It may include a thorough search of the art in the field of the invention and in related fields in which one skilled in the art pertaining to the invention would expect to find information applicable to the invention. It is also expected that the information discovered by the search that is material to the patentability of the claimed invention be disclosed to the USPTO along with an analysis of how the information relates to the claimed invention and how the claimed invention us distinguished over the prior art information.

Micro Entities

The newly created § 124 defines a new category of applicant, known as a "micro entity." Under § 124(b), a micro entity is defined as a small entity who has not been named on five or more previously filed patent applications, has not assigned, granted or conveyed a license or other ownership interest in the application and is not under an obligation by contract or law to do so, and does not have a gross income of greater than 2.5 times the Average Gross

Income (AGI) as reported by the Secretary of Labor. An applicant who has assigned rights in the application can qualify as a micro entity under § 124(c) if the assignee or licensee is an entity with five or fewer employees and has a gross taxable income that does not exceed 2.5 times the AGI for the calendar year immediately preceding the year in which the examination fee is being paid. If the AGI for the previous year has not yet been reported, the AGI of the latest year for which it was reported should be used.

The income level ceilings for micro entities under § 124(b) and (c) may be further adjusted to reflect annual changes in the Consumer Price Index (CPI). This is intended to give the Director discretion to adjust the income qualification for micro entity status where the CPI rises substantially faster than AGI.

Because fulfilling the requirements of § 123 may be particularly burdensome on applicants that qualify as micro entities, such entities are exempted from the information submission requirements of § 123.

Inequitable Conduct

Section 12(b) codifies at 35 U.S.C. § 282(c) the judicially-created doctrine of "inequitable conduct" as a defense to patent infringement. The defense of inequitable conduct was established by the courts as an equitable remedy aimed at deterring applicants from deliberately misstating or withholding information that is materially related to the examination of an application. The Federal Circuit has held that in order to prove inequitable conduct, there must be separate showings of: a) materiality of the information misstated or withheld and b) intent to deceive the patent office. Uncertainty has developed in the application of these standards. As such, this codification is intended to preserve the primary purpose of the defense, while also making its application more predictable and certain. Additionally, it is also intended that this codification will allay concerns patent applicants have in sharing information with the USPTO concerning the patentability of their inventions during prosecution.

Under § 282(c)(1), three substantive elements of the defense are spelled out. They are: (1) the applicant (or another with the duty to disclose) had "the intent to mislead or deceive the patent examiner;" (2) in furtherance of such intent, the applicant "misrepresented or failed to disclose material information" to the Office; and (3) in the absence of the misrepresentation or nondisclosure, the Office would have made a prima facie finding of unpatentability.

Under § 282(c)(2), intent must be proven as a separate element of the offense. Under current doctrine, some courts infer intent from the materiality of withheld or misrepresented information. The Committee believes this has lead to some unjust results. Accordingly, to prove intent under § 282(c), specific facts beyond the materiality of the information misstated or withheld must be proven, showing deliberate or conscious action to deceive or mislead the USPTO. Because intent is a subjective matter, going to state of mind, it may still be proven inferentially (by circumstantial rather than direct evidence). Still, facts independent of the materiality of the information must be proven to support such inference.

In addition to the requirement that the misrepresented or withheld information be "material," the information must be such that,

had the deception not occurred, the examiner would have made a prima facie finding that the claimed invention was unpatentable. As used here, a prima facie showing of unpatentability is a showing that the claimed invention is unpatentable for any reason based on the requirements of patentability provided in 35 U.S.C. § 101, § 102, § 103 or § 112, unless expressly prohibited by other parts of the patent statute, that may yet be overcome in a rebuttal by the patent applicant. The intention behind this codification is to provide clarity about which standard of materiality courts should use.

Courts are given a range of remedies they may provide when inequitable conduct is found by § 282(c)(3). These remedies include denying the patent holder an injunction against the infringer, holding the claims-in-suit or those in which the inequitable conduct occurred unenforceable, holding the entire patent unenforceable, and holding related patents unenforceable. The discretion in remedies given the courts is intended to allow them to apply remedies that are commensurate to the level of deception and materiality found. While the Committee expects the courts to continue to hold patents unenforceable where it is proven that the actions of the applicant or its agents are so culpable or egregious as to constitute fraud on the USPTO, and thereby merit such a harsh penalty, there may be circumstances which warrant a less severe penalty. For instance, where patent attorneys or agents acting without authority, direction or knowledge of the patent applicant are found solely responsible for the inequitable conduct, a penalty less than unenforceability of the entire patent may be in order. Further, there are most likely other scenarios that would similarly warrant a less severe penalty than holding the entire patent unenforceable, and it is expected that the courts will exercise their judgment in balancing the equities of each case to decide the appropriate remedy.

Under § 282(c)(4), attorneys and others who are licensed to practice before the USPTO may now also be held accountable for actions amounting to inequitable conduct where inequitable conduct is found and there is evidence that suggests such person licensed has engaged in inequitable conduct. These persons will be referred by court to the USPTO for disciplinary action. Additionally, the court shall order the parties to make available to the USPTO any evidence showing this person has engaged in inequitable conduct. The Committee has heard that people who engage in inequitable conduct are rarely held accountable for their actions. The lack of action by the USPTO to enforce its own rules concerning the duty imposed on attorneys and agents to act with candor, good faith and honesty before it creates the opportunity for abuse of these rules. As such, the intention behind this provision is to require that those persons found to have deceived the USPTO during patent prosecution are held accountable.

Under § 282(d), a person asserting the inequitable conduct defense must comply with Rule 9(b) of the Federal Rules of Civil Procedure. That means the circumstances constituting inequitable conduct must be plead with particularity. The pleader must identify specific information showing the materiality of misstated or withheld information, as described in this section. Averments of fraud or conscious or deliberate behavior to mislead or deceive the USPTO may be made generally. This requirement is intended to avoid use of the defense simply as a dilatory or settlement tactic.

SEC. 13. BEST MODE REQUIREMENT

Section 13 amends § 282(b) to eliminate as a defense to patent infringement the patentee's failure to comply with the best mode requirement of § 112. Under current law, the defense of patent invalidity is available for failure to comply with any requirement of §§ 112 (specification) or 251 (reissued patents). Further, § 282(b)(3) is amended to strike best mode as a defense; all other defenses are unaffected by section 13. The best mode requirement will otherwise remain in § 112, where it can serve as a basis for rejection of a claim if it appears that the best mode contemplated by the inventor has not been disclosed.

SEC. 14. REGULATORY AUTHORITY

Section 14(a) amends § 2(c) to provide guidance as to the extent of rulemaking authority granted the USPTO under § 2(b). Specifically, this amendment clarifies that the USPTO may make rules that pertain to the quality and timeliness of applications, which include establishing conditions on the use of continuations. The Committee chose to codify this amendment under § 2(c) instead of § 2(b) to confirm that such power was granted to the USPTO at least as early as enactment of Public Law 106–113 (1999), and that this change is only a "clarification of specific powers" granted in § 2(b). To ensure there is no ambiguity on this point, section 14(b) states that this language should be construed as adding no new rulemaking powers to the USPTO.

Typically, courts will give deference to the rules promulgated by agencies if an Act which charges the agency with responsibility doesn't speak to the issue that the rule pertains to. However, if direction on the issue can be found in the statute, any agency rules that conflict with the statute must be struck down.

In *In re Henriksen,* 399 F.2d 253 (CCPA, 1968), the Court of Claims and Patent Appeals (CCPA) held that a Board of Patent Appeals and Interferences (BPAI) decision violated the USPTO's rule making authority. The BPAI had construed a limit on the number of continuations an applicant could file based on a literal reading of 35 USC § 120 that would suggest only one or two continuations could ever be filed. The CCPA reversed the BPAI's decision, finding that the statute placed no restrictions on the number of continuations an applicant may obtain and thus the BPAI's mechanical rule on the number of continuations an applicant could file was inconsistent with § 120. However, later precedent in *In re Bogese II,* 303 F.3d 1362 (Fed. Cir., 2002), suggests that the USPTO may limit continuations when "dilatory tactics" are used in the prosecution of applications, thus leading to some confusion as to the nature of limits the USPTO can place on continuations through rulemaking.

To resolve the ambiguity behind the USPTO's rulemaking authority that *In re Hernicksen* has caused, the Committee has clarified that the USPTO has always had authority to promulgate rules that place limitations or conditions on patent applications, including continuation applications, that do no directly contradict any limitations or conditions expressly stated in statute.

SEC. 15. TECHNICAL AMENDMENTS

Section 15 makes a number of technical changes that improve the formatting or organization of the patent statute. None of the changes in this section are intended to substantive in any way.

SEC. 16. STUDY OF SPECIAL MASTERS IN PATENT CASES

Section 16 directs the Administrative Offices of the United States Courts, in consultation with the Federal Judicial Center, to study the use of special masters in patent infringement cases. This study will investigate what benefits, if any, are derived from the use of special masters in patent cases. The study will look into such factors as the costs and length of litigation when special masters are used, the role special masters are given in patent cases, the legal and technical background of special masters and any other factors that the Administrative Offices of the United States Courts or the Federal Judicial Center believe will assist in determining whether the use of special masters in patent litigation should be encouraged and/or supported.

SEC. 17. RULE OF CONSTRUCTION

It is the Committee's intention to preserve the CREATE Act as originally codified in 35 USC § 103(c), in the new § 102(b)(3). Section 17 explicitly states this intention and directs any inquiry to the purpose of the new § 102(b)(3) to the legislative history of the CREATE Act.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TITLE 35, UNITED STATES CODE

* * * * * * *

PART I—UNITED STATES PATENT AND TRADEMARK OFFICE

* * * * * * *

CHAPTER 1—ESTABLISHMENT, OFFICERS AND EMPLOYEES, FUNCTIONS

Sec.
1. Establishment.

* * * * * * *

[6. Board of Patent Appeals and Interferences.]
6. Patent Trial and Appeal Board.

* * * * * * *

§ 2. Powers and duties

(a) * * *

* * * * * * *

(c) CLARIFICATION OF SPECIFIC POWERS.—(1) * * *

* * * * * * *

(6) The powers granted under paragraph (2) of subsection (b) include the authority to promulgate regulations to ensure the quality and timeliness of applications and their examination, including specifying circumstances under which an application for patent may claim the benefit under sections 120, 121 and 365(c) of the filing date of a prior filed application for patent.

* * * * * * *

[§ 6. Board of Patent Appeals and Interferences

[(a) ESTABLISHMENT AND COMPOSITION.—There shall be in the United States Patent and Trademark Office a Board of Patent Appeals and Interferences. The Director, the Commissioner for Patents, the Commissioner for Trademarks, and the administrative patent judges shall constitute the Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Director.

[(b) DUTIES.—The Board of Patent Appeals and Interferences shall, on written appeal of an applicant, review adverse decisions of examiners upon applications for patents and shall determine priority and patentability of invention in interferences declared under section 135(a). Each appeal and interference shall be heard by at least three members of the Board, who shall be designated by the Director. Only the Board of Patent Appeals and Interferences may grant rehearings.]

§ 6. Patent Trial and Appeal Board

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

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

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

(2) on written appeal of a patent owner, review adverse decisions of examiners upon patents in reexamination proceedings under chapter 30;

(3) review appeals by patent owners and third-party requesters under section 315;

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

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

* * * * * * *

§ 41. Patent fees; patent and trademark search systems

(a) The Director shall charge the following fees:

(1) * * *

(6)(A) On filing an appeal from the examiner to the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board*, $300.

(B) In addition, on filing a brief in support of the appeal, $300, and on requesting an oral hearing in the appeal before the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board*, $260.

* * * * * * *

PART II—PATENTABILITY OF INVENTIONS AND GRANT OF PATENTS

* * * * * * *

CHAPTER 10—PATENTABILITY OF INVENTIONS

Sec.
100. Definitions.
101. Inventions patentable.
[102. Conditions for patentability; novelty and loss of right to patent.]
102. Conditions for patentability; novelty.

* * * * * * *

[104. Invention made abroad.]

* * * * * * *

§ 100. Definitions

When used in this title unless the context otherwise indicates—

(a) * * *

* * * * * * *

(e) The term "third-party requester" means a person requesting ex parte reexamination under section 302 [or inter partes reexamination under section 311] who is not the patent owner.

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

(g) The terms "joint inventor" and "coinventor" mean any one of the individuals who invented or discovered the subject matter of a joint invention.

(h) The "effective filing date of a claimed invention" is—

(1) the filing date of the patent or the application for patent containing the claim to the invention; or

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

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

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

(k) The term "cancellation petitioner" means the real party in interest requesting cancellation of any claim of a patent under chapter 32 of this title and the privies of the real party in interest.

§ 101. Inventions patentable

[Whoever**]** *(a) PATENTABLE INVENTIONS.—Whoever* invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

(b) TAX PLANNING METHODS.—

(1) UNPATENTABLE SUBJECT MATTER.—A patent may not be obtained for a tax planning method.

(2) DEFINITIONS.—For purposes of paragraph (1)—

(A) the term "tax planning method" means a plan, strategy, technique, or scheme that is designed to reduce, minimize, or defer, or has, when implemented, the effect of reducing, minimizing, or deferring, a taxpayer's tax liability, but does not include the use of tax preparation software or other tools used solely to perform or model mathematical calculations or prepare tax or information returns;

(B) the term "taxpayer" means an individual, entity, or other person (as defined in section 7701 of the Internal Revenue Code of 1986) that is subject to taxation directly, is required to prepare a tax return or information statement to enable one or more other persons to determine their tax liability, or is otherwise subject to a tax law;

(C) the terms "tax", "tax laws", "tax liability", and "taxation" refer to any Federal, State, county, city, municipality, or other governmental levy, assessment, or imposition, whether measured by income, value, or otherwise; and

(D) the term "State" means each of the several States, the District of Columbia, and any commonwealth, territory, or possession of the United States.

[§ 102. Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

[(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a for-

eign country, before the invention thereof by the applicant for patent, or

[(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

[(c) he has abandoned the invention, or

[(d) the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States, or

[(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for the purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language; or

[(f) he did not himself invent the subject matter sought to be patented, or

[(g)(1) during the course of an interference conducted under section 135 or section 291, another inventor involved therein establishes, to the extent permitted in section 104, that before such person's invention thereof the invention was made by such other inventor and not abandoned, suppressed, or concealed, or (2) before such person's invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it. In determining priority of invention under this subsection, there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

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

[(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

[(b)(1) Notwithstanding subsection (a), and upon timely election by the applicant for patent to proceed under this subsection, a biotechnological process using or resulting in a composition of matter that is novel under section 102 and nonobvious under subsection (a) of this section shall be considered nonobvious if—

[(A) claims to the process and the composition of matter are contained in either the same application for patent or in separate applications having the same effective filing date; and

[(B) the composition of matter, and the process at the time it was invented, were owned by the same person or subject to an obligation of assignment to the same person.

[(2) A patent issued on a process under paragraph (1)—

[(A) shall also contain the claims to the composition of matter used in or made by that process, or

[(B) shall, if such composition of matter is claimed in another patent, be set to expire on the same date as such other patent, notwithstanding section 154.

[(3) For purposes of paragraph (1), the term "biotechnological process" means—

[(A) a process of genetically altering or otherwise inducing a single- or multi-celled organism to—

[(i) express an exogenous nucleotide sequence,

[(ii) inhibit, eliminate, augment, or alter expression of an endogenous nucleotide sequence, or

[(iii) express a specific physiological characteristic not naturally associated with said organism;

[(B) cell fusion procedures yielding a cell line that expresses a specific protein, such as a monoclonal antibody; and

[(C) a method of using a product produced by a process defined by subparagraph (A) or (B), or a combination of subparagraphs (A) and (B).

[(c)(1) Subject matter developed by another person, which qualifies as prior art only under one or more of subsections (e), (f), and (g) of section 102 of this title, shall not preclude patentability under this section where the subject matter and the claimed invention were, at the time the claimed invention was made, owned by the same person or subject to an obligation of assignment to the same person.

[(2) For purposes of this subsection, subject matter developed by another person 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 if—

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

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

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

[(3) For purposes of paragraph (2), the term "joint research agreement" means a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.

[§ 104. Invention made abroad

[(a) IN GENERAL.—

[(1) PROCEEDINGS.—In proceedings in the Patent and Trademark Office, in the courts, and before any other competent authority, an applicant for a patent, or a patentee, may not establish a date of invention by reference to knowledge or use thereof, or other activity with respect thereto, in a foreign country other than a NAFTA country or a WTO member country, except as provided in sections 119 and 365 of this title.

[(2) RIGHTS.—If an invention was made by a person, civil or military—

[(A) while domiciled in the United States, and serving in any other country in connection with operations by or on behalf of the United States,

[(B) while domiciled in a NAFTA country and serving in another country in connection with operations by or on behalf of that NAFTA country, or

[(C) while domiciled in a WTO member country and serving in another country in connection with operations by or on behalf of that WTO member country,

that person shall be entitled to the same rights of priority in the United States with respect to such invention as if such invention had been made in the United States, that NAFTA country, or that WTO member country, as the case may be.

[(3) USE OF INFORMATION.—To the extent that any information in a NAFTA country or a WTO member country concerning knowledge, use, or other activity relevant to proving or disproving a date of invention has not been made available for use in a proceeding in the Patent and Trademark Office, a court, or any other competent authority to the same extent as such information could be made available in the United States, the Director, court, or such other authority shall draw appropriate inferences, or take other action permitted by statute, rule, or regulation, in favor of the party that requested the information in the proceeding.

[(b) DEFINITIONS.—As used in this section—

[(1) the term "NAFTA country" has the meaning given that term in section 2(4) of the North American Free Trade Agreement Implementation Act; and

[(2) the term "WTO member country" has the meaning given that term in section 2(10) of the Uruguay Round Agreements Act.]

§ 102. Conditions for patentability; novelty

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

(1) the claimed invention was patented, described in a printed publication, in public use, or on sale—

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

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

(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or

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

(b) EXCEPTIONS.—

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

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

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

(B) the subject matter had been publicly disclosed by the inventor or a joint inventor or others who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor before the date on which the application or patent referred to in subsection (a)(2) was effectively filed; or

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

(3) JOINT RESEARCH AGREEMENT EXCEPTION.—

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

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

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

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

(B) For purposes of subparagraph (A), the term "joint research agreement" means a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.

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

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

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

§ 103. Conditions for patentability; nonobvious subject matter

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

* * * * * * *

CHAPTER 11—APPLICATION FOR PATENT

Sec.
111. Application.

* * * * * * *

[115. Oath of applicant.]
115. Inventor's oath or declaration.

* * * * * * *

123. Additional information.
124. Micro entities.

* * * * * * *

§ 111. Application

(a) IN GENERAL.—

(1) * * *

(2) CONTENTS.—Such application shall include—

(A) * * *

* * * * * * *

(C) an oath [by the applicant] *or declaration* as prescribed by section 115 of this title.

(3) FEE [AND OATH].—The application must be accompanied by the fee required by law. The fee [and oath] may be submitted after the specification and any required drawing are submitted, within such period and under such conditions, including the payment of a surcharge, as may be prescribed by the Director.

(4) FAILURE TO SUBMIT.—Upon failure to submit the fee [and oath] within such prescribed period, the application shall be regarded as abandoned, unless it is shown to the satisfaction of the Director that the delay in submitting the fee [and oath] was unavoidable or unintentional. The filing date of an application shall be the date on which the specification and any required drawing are received in the Patent and Trademark Office.

(b) PROVISIONAL APPLICATION.—

(1) * * *

* * * * * * *

(8) APPLICABLE PROVISIONS.—The provisions of this title relating to applications for patent shall apply to provisional applications for patent, except as otherwise provided, and except that provisional applications for patent shall not be subject to [sections 115, 131, 135, and 157] *sections 131 and 135* of this title.

§ 112. Specification

[The specification] *(a) IN GENERAL.—The specification* shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor [of carrying out his invention] *or joint inventor of carrying out the invention*.

[The specification] *(b) CONCLUSION.—The specification* shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the [applicant regards as his invention] *inventor or a joint inventor regards as the invention*.

[A claim] *(c) FORM.—A claim* may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.

[Subject to the following paragraph,] *(d) REFERENCE IN DEPENDENT FORMS.—Subject to subsection (e),* a claim in dependent form shall contain a reference to a claim previously set forth and then specify a further limitation of the subject matter claimed. A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers.

[A claim] *(e) REFERENCE IN MULTIPLE DEPENDENT FORM.—A claim* in multiple dependent form shall contain a reference, in the alternative only, to more than one claim previously set forth and then specify a further limitation of the subject matter claimed. A multiple dependent claim shall not serve as a basis for any other multiple dependent claim. A multiple dependent claim shall be construed to incorporate by reference all the limitations of the particular claim in relation to which it is being considered.

[An element] *(f) ELEMENT IN CLAIM FOR A COMBINATION.—An element* in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

* * * * * * *

[§ 115. Oath of applicant

[The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent; and shall state of what country he is a citizen. Such oath may be made before any person within the United States authorized by law to administer oaths, or, when, made in a

foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any officer having an official seal and authorized to administer oaths in the foreign country in which the applicant may be, whose authority is proved by certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, and such oath shall be valid if it complies with the laws of the state or country where made. When the application is made as provided in this title by a person other than the inventor, the oath may be so varied in form that it can be made by him. For purposes of this section, a consular officer shall include any United States citizen serving overseas, authorized to perform notarial functions pursuant to section 1750 of the Revised Statutes, as amended (22 U.S.C. 4221).]

§ 115. Inventor's oath or declaration

(a) NAMING THE INVENTOR; INVENTOR'S OATH OR DECLARATION.—An application for patent that is filed under section 111(a), that commences the national stage under section 363, or that is filed by an inventor for an invention for which an application has previously been filed under this title by that inventor shall include, or be amended to include, the name of the inventor of any claimed invention in the application. Except as otherwise provided in this section, 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 by an individual under subsection (a) shall contain statements that—

(1) the application was made or was authorized to be made by individual; and

(2) the 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 and has refused to make the oath or declaration required under subsection (a).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) ACKNOWLEDGMENT OF PENALTIES.—Any declaration or statement filed under this section must contain an acknowledgment that any willful false statement is punishable by fine or imprisonment, or both, under section 1001 of title 18.

§ 116. Inventors

[When**]** *(a) JOINT INVENTIONS.—When* an invention is made by two or more persons jointly, they shall apply for patent jointly and each make the required oath, except as otherwise provided in this title. Inventors may apply for a patent jointly even though (1) they did not physically work together or at the same time, (2) each did not make the same type or amount of contribution, or (3) each did not make a contribution to the subject matter of every claim of the patent.

[If a joint inventor**]** *(b) OMITTED INVENTOR.—If a joint inventor* refuses to join in an application for patent or cannot be found or reached after diligent effort, the application may be made by the other inventor on behalf of himself and the omitted inventor. The Director, on proof of the pertinent facts and after such notice to the omitted inventor as he prescribes, may grant a patent to the inventor making the application, subject to the same rights which the omitted inventor would have had if he had been joined. The omitted inventor may subsequently join in the application.

[Whenever**]** *(c) CORRECTION OF ERRORS IN APPLICATION.—Whenever* through error a person is named in an application for patent as the inventor, or through error an inventor is not named in an application, and such error arose without any deceptive intention on his part, the Director may permit the application to be amended accordingly, under such terms as he prescribes.

* * * * * * *

[§ 118. Filing by other than inventor

[Whenever an inventor refuses to execute an application for patent, or cannot be found or reached after diligent effort, a person to whom the inventor has assigned or agreed in writing to assign the invention or who otherwise shows sufficient proprietary interest in the matter justifying such action, may make 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 necessary to preserve the rights of the parties or to prevent irreparable damage; and the Director may grant a patent to such inventor upon such notice to him as the Director deems sufficient, and on compliance with such regulations as he prescribes.**]**

§ 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.

§ 119. Benefit of earlier filing date; right of priority

(a) An application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, or in a WTO member country, shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within twelve months from the earliest date on which such foreign application was filed**[**; but no patent shall be granted on any application for patent for an invention which had been patented or described in a printed publication in any country more than one year before the date of the actual filing of the application in this country, or which had been in public use or on sale in this country more than one year prior to such filing**]**.

* * * * * * *

§ 120. Benefit of earlier filing date in the United States

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States, or as provided by section 363 of this title, **[**which is filed by an inventor or inventors named**]** *which names an inventor or joint inventor* in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application. No application shall be entitled to the benefit of an earlier filed application under this section unless an amendment containing the specific reference to the earlier filed application is submitted at such time during the pendency of the application as required by the Director. The Director may consider the failure to submit such an amendment within that time period as a waiver of any benefit under this section. The Director may establish procedures, including the payment of a surcharge, to accept an unintentionally delayed submission of an amendment under this section.

§ 121. Divisional applications

If two or more independent and distinct inventions are claimed in one application, the Director may require the application to be restricted to one of the inventions. If the other invention is made the subject of a divisional application which complies with the requirements of section 120 of this title it shall be entitled to the

benefit of the filing date of the original application. A patent issuing on an application with respect to which a requirement for restriction under this section has been made, or on an application filed as a result of such a requirement, shall not be used as a reference either in the Patent and Trademark Office or in the courts against a divisional application or against the original application or any patent issued on either of them, if the divisional application is filed before the issuance of the patent on the other application. **[**If a divisional application is directed solely to subject matter described and claimed in the original application as filed, the Director may dispense with signing and execution by the inventor.**]** The validity of a patent shall not be questioned for failure of the Director to require the application to be restricted to one invention.

§ 122. Confidential status of applications; publication of patent applications

(a) * * *

(b) PUBLICATION.—

(1) * * *

(2) EXCEPTIONS.—**[**(A)**]** An application shall not be published if that application is—

[(i)**]** *(A)* no longer pending;

[(ii)**]** *(B)* subject to a secrecy order under section 181 of this title;

[(iii)**]** *(C)* a provisional application filed under section 111(b) of this title; or

[(iv)**]** *(D)* an application for a design patent filed under chapter 16 of this title.

[(B)(i) If an applicant makes a request upon filing, certifying that the invention disclosed in the application has not and will not be the subject of an application filed in another country, or under a multilateral international agreement, that requires publication of applications 18 months after filing, the application shall not be published as provided in paragraph (1).

[(ii) An applicant may rescind a request made under clause (i) at any time.

[(iii) An applicant who has made a request under clause (i) but who subsequently files, in a foreign country or under a multilateral international agreement specified in clause (i), an application directed to the invention disclosed in the application filed in the Patent and Trademark Office, shall notify the Director of such filing not later than 45 days after the date of the filing of such foreign or international application. A failure of the applicant to provide such notice within the prescribed period shall result in the application being regarded as abandoned, unless it is shown to the satisfaction of the Director that the delay in submitting the notice was unintentional.

[(iv) If an applicant rescinds a request made under clause (i) or notifies the Director that an application was filed in a foreign country or under a multilateral international agreement specified in clause (i), the application shall be published in accordance with the provisions of paragraph (1) on or as soon as is practical after the date that is specified in clause (i).

[(v) If an applicant has filed applications in one or more foreign countries, directly or through a multilateral inter-

national agreement, and such foreign filed applications corresponding to an application filed in the Patent and Trademark Office or the description of the invention in such foreign filed applications is less extensive than the application or description of the invention in the application filed in the Patent and Trademark Office, the applicant may submit a redacted copy of the application filed in the Patent and Trademark Office eliminating any part or description of the invention in such application that is not also contained in any of the corresponding applications filed in a foreign country. The Director may only publish the redacted copy of the application unless the redacted copy of the application is not received within 16 months after the earliest effective filing date for which a benefit is sought under this title. The provisions of section 154(d) shall not apply to a claim if the description of the invention published in the redacted application filed under this clause with respect to the claim does not enable a person skilled in the art to make and use the subject matter of the claim.]

* * * * * * *

(e) PREISSUANCE SUBMISSIONS BY THIRD PARTIES.—

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

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

(B) either—

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

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

whichever occurs later.

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

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

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

(C) include a statement by the submitter affirming that the submission was made in compliance with this section.

§ 123. Additional information

(a) IN GENERAL.—The Director shall, by regulation, require that applicants submit a search report and other information and analysis relevant to patentability. An application shall be regarded as abandoned if the applicant fails to submit the required search report, information, and analysis in the manner and within the time period prescribed by the Director.

(b) EXCEPTION FOR MICRO ENTITIES.—Applications from micro-entities shall not be subject to the requirements of regulations issued under subsection (a).

§ 124. Micro entities

(a) DEFINITION.—For purposes of this title, the term "micro entity" means an applicant for patent who makes a certification under either subsection (b) or (c).

(b) UNASSIGNED APPLICATION.—A certification under this subsection is a certification by each inventor named in the application that the inventor—

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

(2) has not been named on five or more previously filed patent applications;

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

(4) does not have a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986, exceeding 2.5 times the median household income, as reported by the Bureau of the Census, for the most recent calendar year preceding the calendar year in which the examination fee is being paid.

(c) ASSIGNED APPLICATION.—A certification under this subsection is a certification by each inventor named in the application that the inventor—

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

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

(3) has assigned, granted, conveyed, or is under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the application to an entity that has five or fewer employees and has a gross taxable income, as defined in section 61(a) of the Internal Revenue Code of 1986, that does not exceed 2.5 times the median household income, as reported by the Bureau of the Census, for the most recent calendar year preceding the calendar year in which the examination fee is being paid.

* * * * * * *

CHAPTER 12—EXAMINATION OF APPLICATION

Sec.
131. Examination of application.

* * * * * * *

[134. Appeal to the Board of Patent Appeals and Interferences.
[135. Interferences.]
134. Appeal to the Patent Trial and Appeal Board.
135. Derivation proceedings.

* * * * * * *

[§ 134. Appeal to the Board of Patent Appeals and Interferences]

§ 134. Appeal to the Patent Trial and Appeal Board

(a) PATENT APPLICANT.—An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision

of the primary examiner to the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board*, having once paid the fee for such appeal.

(b) PATENT OWNER.—A patent owner in any reexamination proceeding may appeal from the final rejection of any claim by the a primary examiner to the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board*, having once paid the fee for such appeal.

(c) THIRD-PARTY.—A third-party requester in an inter partes proceeding may appeal to the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board* from the final decision of the primary examiner favorable to the patentability of any original or proposed amended or new claim of a patent, having once paid the fee for such appeal.

[§ 135. Interferences

[(a) Whenever an application is made for a patent which, in the opinion of the Director, would interfere with any pending application, or with any unexpired patent, an interference may be declared and the Director shall give notice of such declaration to the applicants, or applicant and patentee, as the case may be. The Board of Patent Appeals and Interferences shall determine questions of priority of the inventions and may determine questions of patentability. Any final decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent and Trademark Office of the claims involved, and the Director may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved in the patent, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation by the Patent and Trademark Office.]

§ 135. Derivation proceedings

(a) DISPUTE OVER RIGHT TO PATENT.—

(1) INSTITUTION OF DERIVATION PROCEEDING.—

(A) REQUEST FOR PROCEEDING.—An applicant may request initiation of a derivation proceeding to determine the right of the applicant to a patent by filing a request that sets forth with particularity the basis for finding that another applicant derived the claimed invention from the applicant requesting the proceeding and, without authorization, filed an application claiming such invention. Any such request—

(i) may only be made within 12 months after the earlier of—

(I) the date on which a patent is issued containing a claim that is the same or substantially the same as the claimed invention; or

(II) the date of first publication of an application containing a claim that is the same or is substantially the same as the claimed invention; and

(ii) must be made under oath, and must be supported by substantial evidence.

(B) DETERMINATION OF DIRECTOR.— Whenever the Director determines that patents or applications for patent naming different individuals as the inventor interfere with one another because of a dispute over the right to patent under section 101 on the basis of a request under subparagraph (A), the Director shall institute a derivation proceeding for the purpose of determining which applicant is entitled to a patent.

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

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

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

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

(3) DERIVATION PROCEEDING.—The Patent Trial and Appeal Board may defer action on a request to initiate a derivation proceeding for up to three months after the date on which the Director issues a patent to the applicant that filed the earlier application.

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

[(b)(1) A claim**]** *(b) SAME CLAIMS*

(1) ISSUED PATENTS.—A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted.

[(2) A claim**]**

(2) PUBLISHED APPLICATIONS.—A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an application published under section 122(b) of this title may be made in an application filed after the application is published only if the claim is made before 1 year after the date on which the application is published.

[(c) Any agreement**]** *(c) AGREEMENTS TO TERMINATE PROCEEDINGS.—*

(1) IN GENERAL.—Any agreement or understanding between parties to **[**an interference**]** *a derivation proceeding*, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of **[**the interference**]** *the derivation proceeding*, shall be in writing and a true copy thereof filed in the Patent and Trademark Office before the termination of **[**the interference**]** *the derivation pro-*

ceeding as between the said parties to the agreement or understanding. If any party filing the same so requests, the copy shall be kept separate from the file of [the interference] *the derivation proceeding*, and made available only to Government agencies on written request, or to any person on a showing of good cause. Failure to file the copy of such agreement or understanding shall render permanently unenforceable such agreement or understanding and any patent of such parties involved in [the interference] *the derivation proceeding* or any patent subsequently issued on any application of such parties so involved. The Director may, however, on a showing of good cause for failure to file within the time prescribed, permit the filing of the agreement or understanding during the six-month period subsequent to the termination of [the interference] *the derivation proceeding* as between the parties to the agreement or understanding.

[The Director]

(2) NOTICE.—The Director shall give notice to the parties or their attorneys of record, a reasonable time prior to said termination, of the filing requirement of this section. If the Director gives such notice at a later time, irrespective of the right to file such agreement or understanding within the six-month period on a showing of good cause, the parties may file such agreement or understanding within sixty days of the receipt of such notice.

[Any discretionary action of the Director under this subsection shall be reviewable under section 10 of the Administrative Procedure Act.]

(3) JUDICIAL REVIEW.—Any discretionary action of the Director under this subsection shall be reviewable under chapter 7 of title 5.

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

* * * * * * *

CHAPTER 13—REVIEW OF PATENT AND TRADEMARK OFFICE DECISIONS

Sec.
141. Appeal to Court of Appeals for the Federal Circuit.

* * * * * * *

[146. Civil action in case of interference.]
146. Civil action in case of derivation proceeding.

* * * * * * *

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

An applicant dissatisfied with the decision in an appeal to the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board* under section 134 of this title may appeal the 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 of this title. A patent owner, or a third-party requester in an inter partes reexamination proceeding, who is in any reexamination proceeding dissatisfied with the final decision in an appeal to the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board* under section 134 may appeal the decision only to the United States Court of Appeals for the Federal Circuit. A party to [an interference] *a derivation proceeding* dissatisfied with the decision of the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board* on the [interference] *derivation 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 [interference] *derivation proceeding*, within twenty days after the appellant has filed notice of appeal in accordance with section 142 of this title, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146 of this title. If the appellant does not, within thirty days after the filing of such notice by the adverse party, file a civil action under section 146, the decision appealed from shall govern the further proceedings in the case.

* * * * * * *

§ 145. Civil action to obtain patent

An applicant dissatisfied with the decision of the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board* in an appeal under section 134(a) of this title may, unless appeal has been taken to the United States Court of Appeals for the Federal Circuit, have remedy by civil action against the Director in the United States District Court for the District of Columbia if commenced within such time after such decision, not less than sixty days, as the Director appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board*, as the facts in the case may appear and such adjudication shall authorize the Director to issue such patent on compliance with the requirements of law. All the expenses of the proceedings shall be paid by the applicant.

[§ 146. Civil action in case of interference]

§ 146. Civil action in case of derivation proceeding

[Any party] *(a) IN GENERAL.—Any party* to [an interference] *a derivation proceeding* dissatisfied with the decision of the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board* on the [interference] *derivation proceeding*, may have remedy by civil action, if commenced within such time after such decision, not less than sixty days, as the Director appoints or as pro-

vided in section 141 of this title, unless he has appealed to the United States Court of Appeals for the Federal Circuit, and such appeal is pending or has been decided. In such suits the record in the Patent and Trademark Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony. The testimony and exhibits of the record in the Patent and Trademark Office when admitted shall have the same effect as if originally taken and produced in the suit.

[Such suit] *(b) PROCEDURE.—A suit under subsection (a)* may be instituted against the party in interest as shown by the records of the Patent and Trademark Office at the time of the decision complained of, but any party in interest may become a party to the action. If there be adverse parties residing in a plurality of districts not embraced within the same state, or an adverse party residing in a foreign country, the United States District Court for the District of Columbia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs. The Director shall not be a necessary party but he shall be notified of the filing of the suit by the clerk of the court in which it is filed and shall have the right to intervene. Judgment of the court in favor of the right of an applicant to a patent shall authorize the Director to issue such patent on the filing in the Patent and Trademark Office of a certified copy of the judgment and on compliance with the requirements of law.

* * * * * * *

CHAPTER 14—ISSUE OF PATENT

Sec.
151. Issue of patent.

* * * * * * *

[157. Statutory invention registration.]

* * * * * * *

§ 154. Contents and term of patent; provisional rights

(a) * * *

(b) ADJUSTMENT OF PATENT TERM.—

(1) PATENT TERM GUARANTEES.—

(A) GUARANTEE OF PROMPT PATENT AND TRADEMARK OFFICE RESPONSES.—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the Patent and Trademark Office to—

(i) * * *

* * * * * * *

(iii) act on an application within 4 months after the date of a decision by the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board* under section 134 or 135 or a decision by a Federal

court under section 141, 145, or 146 in a case in which allowable claims remain in the application; or

* * * * * * *

(B) GUARANTEE OF NO MORE THAN 3-YEAR APPLICATION PENDENCY.—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the United States Patent and Trademark Office to issue a patent within 3 years after the actual filing date of the application in the United States, not including—

(i) * * *

(ii) any time consumed by a proceeding under section 135(a), any time consumed by the imposition of an order under section 181, or any time consumed by appellate review by the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board* or by a Federal court; or

* * * * * * *

(C) GUARANTEE OR ADJUSTMENTS FOR DELAYS DUE TO [INTERFERENCES] *DERIVATION PROCEEDINGS*, SECRECY ORDERS, AND APPEALS.—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to—

(i) * * *

* * * * * * *

(iii) appellate review by the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board*or by a Federal court in a case in which the patent was issued under a decision in the review reversing an adverse determination of patentability,

* * * * * * *

[§ 157. Statutory invention registration

[(a) Notwithstanding any other provision of this title, the Director is authorized to publish a statutory invention registration containing the specification and drawings of a regularly filed application for a patent without examination if the applicant—

[(1) meets the requirements of section 112 of this title;

[(2) has complied with the requirements for printing, as set forth in regulations of the Director;

[(3) waives the right to receive a patent on the invention within such period as may be prescribed by the Director; and

[(4) pays application, publication, and other processing fees established by the Director.

If an interference is declared with respect to such an application, a statutory invention registration may not be published unless the issue of priority of invention is finally determined in favor of the applicant.

[(b) The waiver under subsection (a)(3) of this section by an applicant shall take effect upon publication of the statutory invention registration.

[(c) A statutory invention registration published pursuant to this section shall have all of the attributes specified for patents in this title except those specified in section 183 and sections 271

through 289 of this title. A statutory invention registration shall not have any of the attributes specified for patents in any other provision of law other than this title. A statutory invention registration published pursuant to this section shall give appropriate notice to the public, pursuant to regulations which the Director shall issue, of the preceding provisions of this subsection. The invention with respect to which a statutory invention certificate is published is not a patented invention for purposes of section 292 of this title.

[(d) The Director shall report to the Congress annually on the use of statutory invention registrations. Such report shall include an assessment of the degree to which agencies of the Federal Government are making use of the statutory invention registration system, the degree to which it aids the management of federally developed technology, and an assessment of the cost savings to the Federal Government of the use of such procedures.]

* * * * * * *

CHAPTER 16—DESIGNS

* * * * * * *

§ 172. Right of priority

The right of priority provided for by subsections (a) through (d) of section 119 of this title [and the time specified in section 102(d)] shall be six months in the case of designs. The right of priority provided for by section 119(e) of this title shall not apply to designs.

* * * * * * *

CHAPTER 17—SECRECY OF CERTAIN INVENTIONS AND FILING APPLICATIONS IN FOREIGN COUNTRY

* * * * * * *

§ 184. Filing of application in foreign country

[Except when] *(a) FILING IN FOREIGN COUNTRY.—Except when* authorized by a license obtained from the Commissioner of Patents a person shall not file or cause or authorize to be filed in any foreign country prior to six months after filing in the United States an application for patent or for the registration of a utility model, industrial design, or model in respect of an invention made in this country. A license shall not be granted with respect to an invention subject to an order issued by the Commissioner of Patents pursuant to section 181 of this title without the concurrence of the head of the departments and the chief officers of the agencies who caused the order to be issued. The license may be granted retroactively where an application has been filed abroad through error and without deceptive intent and the application does not disclose an invention within the scope of section 181 of this title.

[The term] *(b) APPLICATION.—The term* "application" when used in this chapter includes applications and any modifications, amendments, or supplements thereto, or divisions thereof.

[The scope] *(c) SUBSEQUENT MODIFICATIONS, AMENDMENTS, AND SUPPLEMENTS.—The scope* of a license shall permit subsequent modifications, amendments, and supplements containing additional

subject matter if the application upon which the request for the license is based is not, or was not, required to be made available for inspection under section 181 of this title and if such modifications, amendments, and supplements do not change the general nature of the invention in a manner which would require such application to be made available for inspection under such section 181. In any case in which a license is not, or was not, required in order to file an application in any foreign country, such subsequent modifications, amendments, and supplements may be made, without a license, to the application filed in the foreign country if the United States application was not required to be made available for inspection under section 181 and if such modifications, amendments, and supplements do not, or did not, change the general nature of the invention in a manner which would require the United States application to have been made available for inspection under such section 181.

* * * * * * *

CHAPTER 18—PATENT RIGHTS IN INVENTIONS MADE WITH FEDERAL ASSISTANCE

* * * * * * *

§ 202. Disposition of rights

(a) * * *

* * * * * * *

(c) Each funding agreement with a small business firm or nonprofit organization shall contain appropriate provisions to effectuate the following:

(1) * * *

(2) That the contractor make a written election within two years after disclosure to the Federal agency (or such additional time as may be approved by the Federal agency) whether the contractor will retain title to a subject invention: *Provided*, That in any case where [publication, on sale, or public use, has initiated the one year statutory period in which valid patent protection can still be obtained in the United States] *the 1-year period referred to in section 102(a) would end before the end of that 2-year period*, the period for election may be shortened by the Federal agency to a date that is not more than sixty days prior to the end of [the statutory] *that 1-year* period: *And provided further*, That the Federal Government may receive title to any subject invention in which the contractor does not elect to retain rights or fails to elect rights within such times.

(3) That a contractor electing rights in a subject invention agrees to file a patent application prior to [any statutory bar date that may occur under this title due to publication, on sale, or public use] *the expiration of the 1-year period referred to in section 102(a)*, and shall thereafter file corresponding patent applications in other countries in which it wishes to retain title within reasonable times, and that the Federal Government may receive title to any subject inventions in the United States

or other countries in which the contractor has not filed patent applications on the subject invention within such times.

* * * * * * *

PART III—PATENTS AND PROTECTION OF PATENT RIGHTS

Chap.		Sec.
25.	**Amendment and Correction of Patents**	**251**
*	*	*
32.	***Post-Grant Review Proceedings***	***321***
*	*	*

CHAPTER 25—AMENDMENT AND CORRECTION OF PATENTS

* * * * * * *

§ 251. Reissue of defective patents

[Whenever] *(a) IN GENERAL.—Whenever* any patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Director shall, on the surrender of such patent and the payment of the fee required by law, reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue.

[The Director] *(b) MULTIPLE REISSUED PATENTS.—The Director* may issue several reissued patents for distinct and separate parts of the thing patented, upon demand of the applicant, and upon payment of the required fee for a reissue for each of such reissued patents.

[The provisions] *(c) APPLICABILITY OF THIS TITLE.—The provisions* of this title relating to applications for patent shall be applicable to applications for reissue of a patent, except that application for reissue may be made and sworn to by the assignee of the entire interest if the application does not seek to enlarge the scope of the claims of the original patent.

[No reissued patent] *(d) REISSUE PATENT ENLARGING SCOPE OF CLAIMS.—No reissued patent* shall be granted enlarging the scope of the claims of the original patent unless applied for within two years from the grant of the original patent.

* * * * * * *

§ 253. Disclaimer

[Whenever] *(a) IN GENERAL.—Whenever*, without any deceptive intention, a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid. A patentee, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of any complete claim, stating therein the extent of his interest in such patent. Such disclaimer shall be in writing, and recorded in the Patent and Trademark Of-

fice; and it shall thereafter be considered as part of the original patent to the extent of the interest possessed by the disclaimant and by those claiming under him.

[In like manner] *(b) ADDITIONAL DISCLAIMER OR DEDICATION.—In the manner set forth in subsection (a),* any patentee or applicant may disclaim or dedicate to the public the entire term, or any terminal part of the term, of the patent granted or to be granted.

* * * * * * *

§ 256. Correction of named inventor

[Whenever] *(a) CORRECTION.—Whenever* through error a person is named in an issued patent as the inventor, or through error an inventor is not named in an issued patent and such error arose without any deceptive intention on his part, the Director may, on application of all the parties and assignees, with proof of the facts and such other requirements as may be imposed, issued a certificate correcting such error.

[The error] *(b) PATENT VALID IF ERROR CORRECTED.—The error* of omitting inventors or naming persons who are not inventors shall not invalidate the patent in which such error occurred if it can be corrected as provided in this section. The court before which such matter is called in question may order correction of the patent on notice and hearing of all parties concerned and the Director shall issue a certificate accordingly.

* * * * * * *

CHAPTER 28—INFRINGEMENT OF PATENTS

Sec.
271. Infringement of patent.
272. Temporary presence in the United States.
[273. Defense to infringement based on earlier inventor.]
273. Special defenses to and exemptions from infringement.

* * * * * * *

[§ 273. Defense to infringement based on earlier inventor]

§ 273. Special defenses to and exemptions from infringement

(a) DEFINITIONS.—For purposes of this section—

(1) the terms "commercially used" and "commercial use" mean use [of a method] in the United States, so long as such use is 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, whether or not the subject matter at issue is accessible to or otherwise known to the public, except that the 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 "commercially used" and in "commercial use" during such regulatory [review period;] *review period; and*

(2) in the case of activities performed by a nonprofit research laboratory, or nonprofit entity such as a university, research center, or hospital, a use for which the public is the in-

tended beneficiary shall be considered to be a use described in paragraph (1), except that the use—

(A) * * *

(B) may not be asserted as a defense with respect to any subsequent commercialization or use outside such laboratory or nonprofit entity[;].

[(3) the term "method" means a method of doing or conducting business; and

[(4) the "effective filing date" of a patent is the earlier of the actual filing date of the application for the patent or the filing date of any earlier United States, foreign, or international application to which the subject matter at issue is entitled under section 119, 120, or 365 of this title.]

(b) DEFENSE TO INFRINGEMENT.—

(1) IN GENERAL.—It shall be a defense to an action for infringement under section 271 of this title with respect to any subject matter that would otherwise infringe one or more claims [for a method] in the patent being asserted against a person, if such person had, acting in good faith, actually reduced the subject matter to practice [at least 1 year before the effective filing date of such patent, and commercially used the subject matter before the effective filing date of such patent.] *and commercially used, or made substantial preparations for commercial use of, the subject matter before the effective filing date of the claimed invention.*

(2) EXHAUSTION OF RIGHT.—[The sale or other disposition of a useful end product produced by a patented method] *The sale or other disposition of subject matter that qualifies for the defense set forth in this section*, by a person entitled to assert [a defense under this section with respect to that useful end result] *such defense* shall exhaust the patent owner's rights under the patent to the extent such rights would have been exhausted had such sale or other disposition been made by the patent owner.

(3) LIMITATIONS AND QUALIFICATIONS OF DEFENSE.—The defense to infringement under this section is subject to the following:

[(A) PATENT.—A person may not assert the defense under this section unless the invention for which the defense is asserted is for a method.]

[(B)] *(A)* DERIVATION.—A person may not assert the 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.

[(C)] *(B)* 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 claimed in the patent with respect to which the person can assert a defense under this chapter, 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.

* * * * * * *

(7) LIMITATION ON SITES.—A defense under this section, when acquired as part of a good faith assignment or transfer of an entire enterprise or line of business to which the defense relates, may only be asserted for uses at sites where the subject matter that would otherwise infringe one or more of the claims is in use before the later of the effective filing date [of the patent] *of the claimed invention* or the date of the assignment or transfer of such enterprise or line of business.

* * * * * * *

CHAPTER 29—REMEDIES FOR INFRINGEMENT OF PATENT, AND OTHER ACTIONS

Sec.
281. Remedy for infringement of patent.

* * * * * * *

[291. Interfering patents.]

* * * * * * *

§ 282. Presumption of validity; defenses

[A patent] *(a) IN GENERAL.—A patent* shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. Notwithstanding the preceding sentence, if a claim to a composition of matter is held invalid and that claim was the basis of a determination of nonobviousness under section 103(b)(1), the process shall no longer be considered nonobvious solely on the basis of section 103(b)(1). The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

[The following] *(b) DEFENSES.—The following* shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability[,].

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability[,].

[(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,]

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

(A) any requirement of section 112 of this title, other than the requirement that the specification shall set forth the best mode contemplated by the inventor of carrying out his invention; or

(B) any requirement of section 251 of this title.

(4) Any other fact or act made a defense by this title.

(c) INEQUITABLE CONDUCT.—

(1) DEFENSE.—A patent may be held to be unenforceable, or other remedy imposed under paragraph (3), for inequitable con-

duct only if it is established, by clear and convincing evidence, that—

(A) the patentee, its agents, or another person with a duty of disclosure to the Office, with the intent to mislead or deceive the patent examiner, misrepresented or failed to disclose material information concerning a matter or proceeding before the Office; and

(B) in the absence of such deception, the Office, acting reasonably, would, on the record before it, have made a prima facie finding of unpatentability.

(2) INTENT.—In order to prove intent to mislead or deceive under paragraph (1), specific facts beyond materiality of the information submitted or not disclosed must be proven that support an inference of intent to mislead or deceive the Patent and Trademark Office. Facts support an inference of intent if they show circumstances that indicate conscious or deliberate behavior on the part of the patentee, its agents, or another person with a duty of disclosure to the Office, to not disclose material information or to submit materially false information.

(3) REMEDY.—Upon a finding of inequitable conduct, the court shall balance the equities to determine which of the following remedies to impose:

(A) Denying equitable relief to the patent holder and limiting the remedy for infringement to damages.

(B) Holding the claims-in-suit, or the claims in which inequitable conduct occurred, unenforceable.

(C) Holding the patent unenforceable.

(D) Holding the claims of a related patent unenforceable.

(4) ATTORNEY MISCONDUCT.—Upon a finding of inequitable conduct, if there is evidence that the conduct can be attributable to a person or persons authorized to practice before the Office, the court shall refer the matter to the Office for appropriate disciplinary action under section 32, and shall order the parties to preserve and make available to the Office any materials that may be relevant to the determination under section 32.

[In actions] *(d) NOTICE OF ACTIONS; PLEADING.—In actions* involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Court of Federal Claims, as showing the state of the art, and the name and address of any person who may be relied upon as the prior inventor or as having prior knowledge of or as having previously used or offered for sale the invention of the patent in suit. In the absence of such notice proof of the said matters may not be made at the trial except on such terms as the court requires. *In an action involving any allegation of inequitable conduct under subsection (c), the party asserting this defense or claim shall comply with the pleading requirements set forth in Rule 9(b) of the Federal Rules of Civil Procedure.* [Invalidity]

(e) EXTENSION OF PATENT TERM.—Invalidity of the extension of a patent term or any portion thereof under section 154(b) or 156 of this title because of the material failure—

(1) by the applicant for the extension, or

(2) by the Director,

to comply with the requirements of such section shall be a defense in any action involving the infringement of a patent during the period of the extension of its term and shall be pleaded. A due diligence determination under section 156(d)(2) is not subject to review in such an action.

* * * * * * *

§ 284. Damages

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

(b) REASONABLE ROYALTY.—

(1) IN GENERAL.— An award pursuant to subsection (a) that is based upon a reasonable royalty shall be determined in accordance with this subsection. Based on the facts of the case, the court shall determine whether paragraph (2), (3), or (5) will be used by the court or the jury in calculating a reasonable royalty. The court shall identify the factors that are relevant to the determination of a reasonable royalty under the applicable paragraph, and the court or jury, as the case may be, shall consider only those factors in making the determination.

(2) RELATIONSHIP OF DAMAGES TO CONTRIBUTIONS OVER PRIOR ART.—The court shall conduct an analysis to ensure that a reasonable royalty under subsection (a) is applied only to that economic value properly attributable to the patent's specific contribution over the prior art. The court shall exclude from the analysis the economic value properly attributable to the prior art, and other features or improvements, whether or not themselves patented, that contribute economic value to the infringing product or process.

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

(4) COMBINATION INVENTIONS.—For purposes of paragraphs (2) and (3), in the case of a combination invention the elements of which are present individually in the prior art, the patentee may show that the contribution over the prior art may include the value of the additional function resulting from the combination, as well as the enhanced value, if any, of some or all of the prior art elements resulting from the combination.

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

[When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed. Increased damages under this paragraph shall not apply to provisional rights under section 154(d) of this title.]

(c) WILLFUL INFRINGEMENT.—

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

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

(A) after receiving written notice from the patentee—

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

(ii) identifying with particularity each claim of the patent, each product or process that the patent owner alleges infringes the patent, and the relationship of such product or process to such claim,

the infringer, after a reasonable opportunity to investigate, thereafter performed one or more of the alleged acts of infringement;

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

(C) after having been found by a court to have infringed that patent, the infringer engaged in conduct that was not colorably different from the conduct previously found to have infringed the patent, and that resulted in a separate finding of infringement of the same patent.

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

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

(i) reasonable reliance on advice of counsel;

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

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

(C) The decision of the infringer not to present evidence of advice of counsel is not relevant to a determination of willful infringement under paragraph (2).

(4) LIMITATION ON PLEADING.—Before the date on which a court determines that the patent in suit is not invalid, is enforceable, and has been infringed by the infringer, a patentee may not plead and a court may not determine that an infringer

has willfully infringed a patent. The court's determination of an infringer's willfulness shall be made without a jury.

[The court] *(d) EXPERT TESTIMONY.—The court* may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

* * * * * * *

§ 287. Limitation on damages and other remedies; marking and notice

(a) * * *

* * * * * * *

(c)(1) * * *

* * * * * * *

(4) This subsection shall not apply to any patent issued based on an application [the earliest effective filing date of which is prior to] *which has an effective filing date before* September 30, 1996.

* * * * * * *

[§ 291. Interfering patents

[The owner of an interfering patent may have relief against the owner of another by civil action, and the court may adjudge the question of the validity of any of the interfering patents, in whole or in part. The provisions of the second paragraph of section 146 of this title shall apply to actions brought under this section.]

* * * * * * *

[§ 301. Citation of prior art

[Any person at any time may cite to the Office in writing 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. If the person explains in writing the pertinency and manner of applying such prior art to at least one claim of the patent, the citation of such prior art and the explanation thereof will become a part of the official file of the patent. At the written request of the person citing the prior art, his or her identity will be excluded from the patent file and kept confidential.]

§ 301. Citation of prior art

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

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

(2) written statements of the patent owner filed in a proceeding before a Federal court or the Patent and Trademark Office in which the patent owner takes a position on the scope of one or more patent claims.

(b) SUBMISSIONS PART OF OFFICIAL FILE.—If the person citing prior art or written submissions under subsection (a) explains in writing the pertinence and manner of applying the prior art or written submissions to at least one claim of the patent, the citation of the prior art or written submissions (as the case may be) and the

explanation thereof shall become a part of the official file of the patent.

(c) PROCEDURES FOR WRITTEN STATEMENTS.—

(1) SUBMISSION OF ADDITIONAL MATERIALS.—A party that submits written statements under subsection (a)(2) in a proceeding shall include any other documents, pleadings, or evidence from the proceeding that address the patent owner's statements or the claims addressed by the written statements.

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

(d) IDENTITY WITHHELD.—Upon the written request of the person citing prior art or written statements under subsection (a), the person's identity shall be excluded from the patent file and kept confidential.

* * * * * * *

§ 303. Determination of issue by Director

[(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.**]**

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

* * * * * * *

§ 305. Conduct of reexamination proceedings

After the times for filing the statement and reply provided for by section 304 of this title have expired, reexamination will be conducted according to the procedures established for initial examina-

tion under the provisions of sections 132 and 133 of this title. In any reexamination proceeding under this chapter, the patent owner will be permitted to propose any amendment to his patent and a new claim or claims thereto, in order to distinguish the invention as claimed from the prior art cited under the provisions of section 301 of this title, or in response to a decision adverse to the patentability of a claim of a patent. No proposed amended or new claim enlarging the scope of a claim of the patent will be permitted in a reexamination proceeding under this chapter. All reexamination proceedings under this section, including any appeal to the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board*, will be conducted with special dispatch within the Office.

* * * * * * *

§ 314. Conduct of inter partes reexamination proceedings

(a) IN GENERAL.—Except as otherwise provided in this section, reexamination shall be [conducted according to the procedures established for initial examination under the provisions of sections 132 and 133] *heard by an administrative patent judge in accordance with procedures which the Director shall establish*. In any inter partes reexamination proceeding under this chapter, the patent owner shall be permitted to propose any amendment to the patent and a new claim or claims, except that no proposed amended or new claim enlarging the scope of the claims of the patent shall be permitted.

(b) RESPONSE.—(1) With the exception of the inter partes reexamination request, any document filed by either the patent owner or the third-party requester shall be served on the other party. In addition, the Office shall send to the third-party requester a copy of any communication sent by the Office to the patent owner concerning the patent subject to the inter partes reexamination proceeding.

[(2) Each time that the patent owner files a response to an action on the merits from the Patent and Trademark Office, the third-party requester shall have one opportunity to file written comments addressing issues raised by the action of the Office or the patent owner's response thereto, if those written comments are received by the Office within 30 days after the date of service of the patent owner's response.]

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

(c) SPECIAL DISPATCH.—Unless otherwise provided by the Director for good cause, all inter partes reexamination proceedings under this section, including any appeal to the [Board of Patent Appeals and Interferences] *Patent Trial and Appeal Board*, shall be conducted with special dispatch within the Office.

(d) ORAL HEARING.—At the request of a third party requestor or the patent owner, the administrative patent judge shall conduct an oral hearing, unless the judge finds cause lacking for such hearing.

§ 315. Appeal

(a) * * *

* * * * * * *

(c) CIVIL ACTION.—A third-party requester whose request for an inter partes reexamination results in an order under section 313 is estopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28, the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised [or could have raised] during the inter partes reexamination proceedings. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the inter partes reexamination proceedings.

* * * * * * *

§ 317. Inter partes reexamination prohibited

(a) * * *

(b) [FINAL DECISION.—Once a final decision has been entered] *DISTRICT COURT DECISION.—Once the judgment of the district court has been entered* against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit or if a final decision in an inter partes reexamination proceeding instituted by a third-party requester is favorable to the patentability of any original or proposed amended or new claim of the patent, then neither that party nor its privies may thereafter request an inter partes reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or inter partes reexamination proceeding, and an inter partes reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the inter partes reexamination proceedings.

* * * * * * *

CHAPTER 32—POST-GRANT REVIEW PROCEDURES

Sec.
321. Petition for post-grant review.
322. Timing and bases of petition.
323. Requirements of petition.
324. Prohibited filings.
325. Submission of additional information; showing of sufficient grounds.
326. Conduct of post-grant review proceedings.
327. Patent owner response.
328. Proof and evidentiary standards.
329. Amendment of the patent.
330. Decision of the Board.
331. Effect of decision.
332. Settlement.
333. Relationship to other pending proceedings.
334. Effect of decisions rendered in civil action on post-grant review proceedings.

335. Effect of final decision on future proceedings.
336. Appeal.

§ 321. Petition for post-grant review

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

§ 322. Timing and bases of petition

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

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

(2) the patent owner consents in writing to the proceeding.

§ 323. Requirements of petition

A cancellation petition filed under section 321 may be considered only if—

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

(2) the petition identifies the cancellation petitioner;

(3) the petition sets forth in writing the basis for the cancellation, identifying each claim challenged and providing such information as the Director may require by regulation, and includes copies of patents and printed publications that the cancellation petitioner relies upon in support of the petition; and

(4) the petitioner provides copies of those documents to the patent owner or, if applicable, the designated representative of the patent owner.

§ 324. Prohibited filings

A post-grant review proceeding may not be instituted under section 322 if the petition for cancellation requesting the proceeding identifies the same cancellation petitioner and the same patent as a previous petition for cancellation filed under such section.

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

(a) IN GENERAL.—The cancellation petitioner shall file such additional information with respect to the petition as the Director may require. For each petition submitted under section 321, the Director shall determine if the written statement, and any evidence submitted with the request, establish that a substantial question of patentability exists for at least one claim in the patent. The Director may initiate a post-grant review proceeding if the Director determines that the information presented provides sufficient grounds to believe that there is a substantial question of patentability concerning one or more claims of the patent at issue.

(b) NOTIFICATION; DETERMINATIONS NOT REVIEWABLE.—The Director shall notify the patent owner and each petitioner in writing of the Director's determination under subsection (a), including a determination to deny the petition. The Director shall make that determination in writing not later than 60 days after receiving the petition. Any determination made by the Director under subsection (a), including whether or not to institute a post-grant review proceeding or to deny the petition, shall not be reviewable.

§ 326. Conduct of post-grant review proceedings

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

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

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

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

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

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

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

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

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

(5) may provide for protective orders governing the exchange and submission of confidential information; and

(6) shall ensure that any information submitted by the patent owner in support of any amendment entered under section 329 is made available to the public as part of the prosecution history of the patent.

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

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

§ 327. Patent owner response

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

§ 328. Proof and evidentiary standards

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

(b) BURDEN OF PROOF.—The party advancing a proposition under this chapter shall have the burden of proving that proposition by a preponderance of the evidence.

§ 329. Amendment of the patent

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

(1) Cancel any challenged patent claim.

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

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

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

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

§ 330. Decision of the board

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

§ 331. Effect of decision

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

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

§ 332. Settlement

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

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

§ 333. Relationship to other pending proceedings

(a) IN GENERAL.—Notwithstanding subsection 135(a), sections 251 and 252, and chapter 30, the Director may determine the manner in which any reexamination proceeding, reissue proceeding, interference proceeding (commenced before the effective date provided in section 3(k) of the Patent Reform Act of 2007), derivation proceeding, or post-grant review proceeding, that is pending during a post-grant review proceeding, may proceed, including providing for stay, transfer, consolidation, or termination of any such proceeding.

(b) STAYS.—The Director may stay a post-grant review proceeding if a pending civil action for infringement addresses the same or substantially the same questions of patentability.

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

If a final decision is entered against a party in a civil action arising in whole or in part under section 1338 of title 28 establishing that the party has not sustained its burden of proving the invalidity of any patent claim—

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

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

§ 335. Effect of final decision on future proceedings

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

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

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

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

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

§ 336. Appeal

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

* * * * * * *

§ 363. International application designating the United States: Effect

An international application designating the United States shall have the effect, from its international filing date under article 11 of the treaty, of a national application for patent regularly filed in the Patent and Trademark Office [except as otherwise provided in section 102(e) of this title].

* * * * * * *

CHAPTER 37—NATIONAL STAGE

* * * * * * *

§ 374. Publication of international application

The publication under the treaty defined in section 351(a) of this title, of an international application designating the United States shall be deemed a publication under section 122(b), except as provided in [sections 102(e) and 154(d)] *section 154(d)* of this title.

The publication under the treaty of an international application shall confer no rights and shall have no effect under this title other than that of a printed publication.

§ 375. Patent issued on international application: Effect

(a) A patent may be issued by the Director based on an international application designating the United States, in accordance with the provisions of this title. [Subject to section 102(e) of this title, such] *Such* patent shall have the force and effect of a patent

issued on a national application filed under the provisions of chapter 11 of this title.

* * * * * * *

TITLE 28, UNITED STATES CODE

* * * * * * *

PART IV—JURISDICTION AND VENUE

* * * * * * *

CHAPTER 83—COURTS OF APPEALS

* * * * * * *

§ 1292. Interlocutory decisions

(a) * * *

* * * * * * *

(c) THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT SHALL HAVE EXCLUSIVE JURISDICTION.—

(1) of an appeal from an interlocutory order or decree described in subsection (a) or (b) of this section in any case over which the court would have jurisdiction of an appeal under section 1295 of this title; **[**and**]**

(2) of an appeal from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is final except for an accounting**[**.**]***; and*

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

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

* * * * * * *

§ 1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit

(a) THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT SHALL HAVE EXCLUSIVE JURISDICTION.—

(1) * * *

* * * * * * *

(4) OF AN APPEAL FROM A DECISION OF.—

[(A) the Board of Patent Appeals and Interferences of the United States Patent and Trademark Office with respect to patent applications and interferences, at the instance of an applicant for a patent or any party to a patent interference, and any such appeal shall waive the right of

such applicant or party to proceed under section 145 or 146 of title 35;]

(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to patent applications, derivation proceedings, and post-grant review proceedings, at the instance of an applicant for a patent or any party to a patent interference (commenced before the effective date provided in section 3(k) of the Patent Reform Act of 2007), derivation proceeding, or post-grant review proceeding, and any such appeal shall waive any right of such applicant or party to proceed under section 145 or 146 of title 35;

* * * * * * *

CHAPTER 87—DISTRICT COURTS; VENUE

* * * * * * *

§ 1400. Patents and copyrights, mask works, and designs

(a) * * *

[(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.]

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

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

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

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

(3) where the primary plaintiff resides, if the primary plaintiff in the action is an institution of higher education as defined under section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)); or

(4) where the plaintiff resides, if the plaintiff or a subsidiary of the plaintiff has an established physical facility in such district dedicated to research, development, or manufacturing that is operated by full-time employees of the plaintiff or such subsidiary, or if the sole plaintiff in the action is an individual inventor who is a natural person and who qualifies at the time such action is filed as a micro entity under section 124 of title 35.

(d) If the plaintiff brings a civil action for patent infringement in a judicial district under subsection (c), the district court may transfer that action to any other district or division where—

(1) the defendant has substantial evidence or witnesses; and

(2) venue would be appropriate under section 1391 of this title, if such transfer would be appropriate under section 1404 of this title.

* * * * * * *

SECTION 4607 OF THE INTELLECTUAL PROPERTY AND COMMUNICATIONS OMNIBUS REFORM ACT OF 1999

[SEC. 4607. ESTOPPEL EFFECT OF REEXAMINATION.

[Any party who requests an inter partes reexamination under section 311 of title 35, United States Code, is estopped from challenging at a later time, in any civil action, any fact determined during the process of such reexamination, except with respect to a fact determination later proved to be erroneous based on information unavailable at the time of the inter partes reexamination decision. If this section is held to be unenforceable, the enforceability of the remainder of this subtitle or of this title shall not be denied as a result.]

○