

before the examiner during an earlier examination. Because the PTO director can only order a reexamination if a "substantial new question of patentability" exists, the Federal court's decision in *Portola* effectively bars the PTO from conducting a reexamination based on prior art that was cited in the patent application.

The *Portola* decision is troublesome because it prevents reexaminations from correcting mistakes made by examiners. Ideally, a reexamination could be requested based on prior art cited by an applicant that the examiner failed to adequately consider. However, after *Portola*, such prior art could not be the basis of the reexamination.

By overturning the *Portola* decision, H.R. 1866 will allow reexamination to correct some examiner errors. Thus, this bill will accomplish an important, if narrow, objective.

Madam Speaker, as far as I know, H.R. 1866 has not engendered any controversy, and I urge my colleagues to support it.

Madam Speaker, I yield back the balance of my time.

Mr. SENSENBRENNER. Madam Speaker, I yield 3 minutes to the gentleman from North Carolina (Mr. COBLE), the chairman of the Subcommittee on Courts, the Internet and Intellectual Property.

Mr. COBLE. Madam Speaker, I thank the gentleman from yielding me this time. I will be very brief, because the gentleman from Wisconsin has thoroughly stated the matter, as has the gentleman from California.

As the gentleman from Wisconsin has indicated, H.R. 1866, Madam Speaker, consists of adding a single sentence to the law in order to improve the patent reexamination system. It is based upon testimony that was offered before our subcommittee earlier this year. With this single sentence, we stab at the heart of defective business method and other inappropriately issued patents. At the same time, we protect small businesses and small inventors from harassing conduct in these proceedings.

I want to thank the distinguished gentleman from California (Mr. BERMAN), my friend and the ranking member of the subcommittee, for his work, as well, on this bill, and for that matter, all of the members of the subcommittee.

In closing, I want to thank the distinguished gentleman from Wisconsin (Mr. SENSENBRENNER), the chairman of the full committee, for having expeditiously moved this legislation along, because it is important legislation. I urge my colleagues to support H.R. 1866.

Mr. SENSENBRENNER. Madam Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore. The question is on the motion offered by

the gentleman from Wisconsin (Mr. SENSENBRENNER) that the House suspend the rules and pass the bill, H.R. 1866, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

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**PROVIDING FOR APPEALS BY
THIRD PARTIES IN CERTAIN
PATENT REEXAMINATION PRO-
CEEDINGS**

Mr. SENSENBRENNER. Madam Speaker, I move to suspend the rules and pass the bill (H.R. 1866) to amend title 35, United States Code, to provide for appeals by third parties in certain patent reexamination proceedings.

The Clerk read as follows:

H.R. 1866

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

SECTION 1. APPEALS IN INTER PARTES REEXAMINATION PROCEEDINGS.

(a) APPEALS BY THIRD-PARTY REQUESTER IN PROCEEDINGS.—Section 315(b) of title 35, United States Code, is amended to read as follows:

“(b) THIRD-PARTY REQUESTER.—A third-party requester—

“(1) may appeal under the provisions of section 134, and may appeal under the provisions of sections 141 through 144, with respect to any final decision favorable to the patentability of any original or proposed amended or new claim of the patent; and

“(2) may, subject to subsection (c), be a party to any appeal taken by the patent owner under the provisions of section 134 or sections 141 through 144.”.

(b) APPEAL TO BOARD OF PATENT APPEALS AND INTERFERENCES.—Section 134(c) of title 35, United States Code, is amended by striking the last sentence.

(c) APPEAL TO COURT OF APPEALS FOR THE FEDERAL CIRCUIT.—Section 141 of title 35, United States Code, is amended in the third sentence by inserting “, or a third-party requester in an inter partes reexamination proceeding, who is” after “patent owner”.

SEC. 2. EFFECTIVE DATE.

The amendments made by this Act apply with respect to any reexamination proceeding commenced on or after the date of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Wisconsin (Mr. SENSENBRENNER) and the gentleman from California (Mr. BERMAN) each will control 20 minutes.

The Chair recognizes the gentleman from Wisconsin (Mr. SENSENBRENNER).

GENERAL LEAVE

Mr. SENSENBRENNER. Madam Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on H.R. 1866, the bill presently under consideration.

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

There was no objection.

Mr. SENSENBRENNER. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, this bill also attempts to improve the patent reexamination system. It aims at closing an unfortunate administrative loophole and bridging a legal gap in the working of our patent system. The reform also comes out of two hearings that the Subcommittee on Courts, the Internet and Intellectual Property held earlier this year.

While I strongly endorse the professionalism of the Patent and Trademark Office, I believe it is necessary to place a check on the PTO's actions by affording all participants judicial review before a Federal appeals court.

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This check by a higher independent authority is an important safeguard and adds transparency to the process. Rest assured this appellate review will not impose additional burdens on patent-holders arising from Federal trials.

This is an important and necessary amendment that is an overdue change to our intellectual property laws. I urge Members to support H.R. 1866.

Madam Speaker, I reserve the balance of my time.

Mr. BERMAN. Madam Speaker, I yield myself such time as I may consume.

Mr. BERMAN. Madam Speaker, I rise in support of H.R. 1866 and urge my colleagues to vote for it. It is largely non-controversial. The Committee on the Judiciary's Subcommittee on Courts, the Internet, and Intellectual Property passed it by a voice vote on May 22, and the full committee reported it favorably by voice vote on June 20.

The bill represents a good, if small, step in improving the usefulness of the inter partes reexamination procedure for patents. Currently, the inter partes reexamination procedure places so many constraints on third-party requesters of such reexamination that, as some patent attorneys have stated, “It would be legal malpractice to recommend a client initiate an inter partes reexamination.”

Among those constraints is the prohibition against a third party appealing an adverse reexamination decision to Federal court or participating in an appeal brought by the patentee.

H.R. 1866 would allow an authority requester to appeal a reexamination decision to Federal court and to participate in an appeal by an applicant. By doing so, H.R. 1866 may make inter partes reexamination a somewhat more attractive option for challenging a patent. A third party will, at the least, now feel comfortable that the courts can be accessed to rectify a mistaken reexamination decision.

While H.R. 1866 may not cure all the defects of inter partes reexamination, I believe it is a good start, and I urge my colleagues to vote for it.

Madam Speaker, I reserve the balance of my time.

Mr. SENSENBRENNER. Madam Speaker, I yield 3 minutes to the gentleman from California (Mr. ROHRABACHER).

Mr. ROHRABACHER. Madam Speaker, I rise with a strong sense of concern, if not opposition, to what is being proposed here today.

Two years ago, there was a compromise that was made on this very important matter. I, in fact, supported legislation with this wording in it; but only because it was part of a compromise that I felt was necessary to get the rest of the bill through. I thought the bill that we had come up with, and the gentleman from North Carolina (Mr. COBLE) and I and Jim and others had worked so long and hard for, that it was worthy of that compromise.

However, this piece of legislation undoes a compromise that was made with the gentleman from Illinois (Mr. MANZULLO) to take this very language out of that bill, so we are, in effect, going back on a compromise made with the gentleman from Illinois (Mr. MANZULLO).

I might add that I was willing to support the legislation with this concept in it, even though I had reservations about it, if it was part of a bigger bill that was, I thought, a good bill that we had come up with.

But now that we are bringing it up standing alone as part of an effort to basically go back on the compromise of the gentleman from Illinois (Mr. MANZULLO), which he insisted on for his support of the legislation, I do not think that it stands alone and can stand on its own.

We passed a sensible reform law 2 years ago, as I say, the American Inventors Protection Act of 1999. It has provided some very solid reform, which included, again, language that was inconsistent with what they are trying to accomplish here today.

Many Members, including the gentleman from Illinois (Mr. MANZULLO) and myself, have been very concerned about the ability of corporations and of foreign nationals to use the legal process to drag small entrepreneurs and inventors into very costly legal battles.

What we are talking about today is, instead of letting the patent office make the decision, and we have granted judicial authority to patent examiners; that is why they have a very special place in this system, so we expect them to act responsibly.

But what we are doing here is permitting a third party, we are expanding the ability of third parties to use the court system as a way to interfere with rights that have been granted to inventors by patent examiners.

We want the patent system to work, and we want these patent examiners, who have proven themselves to be people of responsibility, that is why we

give them this responsibility, to be honorable people and people of great talent, and we hope they will be paid more money in the future, in fact. But then to suggest that, after the Patent Office has made its decision with these experts in technology, that we are going to permit a third party to come in and use the court system to negate that, I think that is a reason we have to think about this.

I would suggest that we hold off on this amendment and give the Congress a little chance to figure out what the effect of this will actually be on inventions in America.

Mr. SENSENBRENNER. Madam Speaker, I yield 4 minutes to the gentleman from North Carolina (Mr. COBLE), the distinguished subcommittee chairman.

Mr. COBLE. Madam Speaker, I thank the chairman for yielding time to me.

Madam Speaker, I say to my good friend, the gentleman from California (Mr. ROHRABACHER), with whom I have had disagreements and agreements, the gentleman says that this undoes what was previously agreed to. I think that is clearly subject to interpretation. We are going to have to disagree agreeably on that, and we can do that at another time.

I say, Madam Speaker, that, and pardon my incorrect grammar, but I am a pretty easy dog to hunt with. I am surprised that no one has come forward prior to today. We had a hearing April 4, the second hearing on May 10, a subcommittee markup on May 22, a full committee markup on June 20, a report filed on June 28. Now, one would think if concerns were being felt or if anxiety was the order of the day, that someone would have rattled my door. No knock.

The gentleman from Wisconsin has already indicated this, and I will be brief. But as he said, H.R. 1886 consists of noncontroversial, in my opinion noncontroversial, amendments to the patent reexamination system. It is not a new idea, but one whose time has finally come. Fairness demands that inventors deserve their day in court should a controversy arise, but we should spare them the expense and the burdens of Federal litigation when we can. This bill achieves that important and equitable balance.

Again, I want to thank the gentleman from California (Mr. BERMAN); and I want to thank my chairman, the gentleman from Wisconsin (Mr. SENSENBRENNER), and all members of the subcommittee who worked very arduously in addressing this matter.

Finally, and I say to my friend, the gentleman from California (Mr. ROHRABACHER), and to my friend, the gentleman from Illinois (Mr. MANZULLO), I have had several small independent inventors come to me thanking me for the work that the subcommittee has done. These small, independent inventors say, "Now some folks claim they

are on Capitol Hill representing the small inventors. We do not need anybody representing us. We are happy with what is being done at the subcommittee and full committee level."

So, Madam Speaker, I believe that the concerns that have been expressed thus far, I say to my friend from Wisconsin (Mr. SENSENBRENNER), I believe they can be assuaged and resolved.

Mr. BERMAN. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, I would like to take a moment to try and address the arguments made by my friend, the gentleman from California (Mr. ROHRABACHER), because I think that the thrust of his argument is actually served and met by our bill, not opposed.

He is concerned, legitimately, about the likelihood that poorly financed independent inventors will have their patents challenged in expensive re-examinations requested by big corporations with deep pockets. The problem is, the way the law is now, those corporations do not go to reexamination. They ignore reexamination, because if they go to reexamination, their ability then to challenge in court on the issues they brought up in reexamination is eliminated.

So they, instead of challenging the small, independent inventor in a relatively cheap, relatively quick, somewhat informal or more informal reexamination process, that is ignored and, instead, they wait until the patent is granted. Then they go into Federal court on lengthy, incredibly expensive litigation which can take years and years at enormous expense, which these corporations can afford if it is justified in the context of their own business plans, and grind that patent holder down in court.

What we are trying to do, and it is really a small change, is to take away the roadblock that causes people who want to challenge the validity of a patent to ignore the reexamination procedure and go to court instead. That is to say that if they win in reexamination and the patent holder appeals to court to reestablish the validity of the patent and to throw out the reexamination decision to reverse the granting of the patent, that the person who filed for a reexamination or the third party who brought the reexamination request can participate in that appeal. If they cannot, they are not going to go to reexamination, they are just going to challenge the patent in court.

H.R. 1886 in no way affects or enhances a challenger's ability to initiate a reexamination. It does not broaden the basis for doing this. The gentleman from Virginia (Mr. BOUCHER) and I have some legislation that would do that and provide actually a more fulsome kind of a hearing. But we have not been able to persuade a majority of the

subcommittee at this point that that is a good idea.

All this bill does is leave the substantive law exactly the same, and maintain the requirement that the PTO director still find that a substantial new question of patentability has been raised before ordering a reexamination. It in no way lowers the barrier for requesting an inter partes reexamination; it just makes it a marginally more attractive option because they are no longer prejudiced from raising an issue in court, and are perhaps persuaded by the reexamination decision.

Everyone in the patent world recognizes that a patent which has survived reexamination is a much stronger patent, much more likely to be upheld in court. I would contend that the small, independent inventor has an interest in a vital reexamination process, not one that just exists on the books and is never utilized because the person who wants to challenge that patent is afraid they are going to be estopped from ever going to court; if they lose or if they win, that they will not be able to participate in an appeal of the decision, of the PTO Office.

So I understand where the gentleman is coming from, but I think if we look through this bill, it is really very, very modest. This was not at the heart of the negotiation that enabled the original patent reform bill to go through several years ago, and I think it is a bill worthy of support.

Madam Speaker, I reserve the balance of my time.

Mr. SENSENBRENNER. Madam Speaker, I yield 3 minutes to the gentleman from Illinois (Mr. MANZULLO), the chairman of the Committee on Small Business.

Mr. MANZULLO. Madam Speaker, I rise to address my concerns with this bill, H.R. 1886, which would alter the current process for third parties in a patent reexamination request.

As the chairman of the Committee on Small Business, I have concerns that small inventors may be hurt under the proposed process allowed under this bill.

I am grateful to the gentleman from Wisconsin (Mr. SENSENBRENNER) of the Committee on the Judiciary and to the gentleman from North Carolina (Mr. COBLE). The gentleman from Wisconsin met with me today, albeit at the 11th hour, to discuss my concerns. He very graciously agreed to hold a hearing this year on how the bill may affect the interests of the small inventor.

The chairman and the chairman of the subcommittee are extremely fair people. They are very reasonable. They are the first ones that want to make sure that this bill would do no harm to the small inventor. I appreciate their concern on it.

But I would like to put into the RECORD as I see it how the small inventor may be hurt. Patents are intellec-

tual property rights. Patents allow inventors to keep others from using for monetary gain inventions they have created.

The reexamination process brings a patent back through the process, essentially opening up the procedures that bring about a patent.

Third-party reexamination allows any party, an individual, a company, or even a foreign Nation, the ability to officially request a reexam of a patent in the U.S. Patent and Trademark Office. If a third party requester does not succeed in convincing the experts of the PTO, they do not have the right to go into the Court of Appeals. That is important for the small inventor.

I am of the opinion that this bill may open a whole host of problems, particularly for the small inventor. Let me explain. Under current law, a patent can be challenged as to its validity in a Federal district court only upon a party being charged with infringement or being sued for infringement by a patent owner.

In the first case, the alleged infringer may file a declaratory judgment action to settle a dispute, thereby allowing them to go to court. In the latter case, the sued party, the alleged infringer, can challenge patent validity in an affirmative defense claim before the Federal appeals court.

H.R. 1886 would allow any third party to question the validity of a patent without first being charged for infringement. This is critical because a bad actor, again, anyone from an individual company, corporation, or foreign Nation, could essentially bottle up a truly valid patent with frivolous claims, hurting the true inventor's ability to develop his ideas.

There are concerns that this bill could cause a domino effect in the marketplace for these small inventors seeking financing to get a finished product, idea, concept, to the market. A legitimate inventor of a significant concept would be dramatically hindered from seeking venture capital for something that is tied up in the courts by a third party reexamination, as is allowed and envisioned under H.R. 1886.

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It enables a third-party requester to challenge as many patents in the courts as it deems necessary at a much-reduced cost to them so as to gain or maintain a stronghold in any particular industry. Therefore, I am heartened that the chairman of the Committee on the Judiciary through his graciousness saw me today, expressed a willingness to work with the small inventor to make sure that the small inventor was protected and the fact that he is open to holding a hearing on this issue.

Mr. SENSENBRENNER. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, I want to thank the gentleman from Illinois (Mr. MANZULLO), the chairman of the Committee on Small Business. I want him to know how much I appreciate knowing of his concerns regarding the important role of our country's patent system, and I am prepared to work with him on this subject. In fact, I share his appreciation of the entrepreneurial spirit of America, whereby inventors apply their creativity and ingenuity to technology every day in this country.

I want to reassure the gentleman from Illinois (Mr. MANZULLO) that since this issue is squarely in the jurisdiction of the Committee on the Judiciary, it will fully get the proper attention it deserves.

The bill we consider today, H.R. 1886, will not prejudice inventors, small businesses or anyone else connected with inventive activity. In fact, it will help level the playing field in this area regarding the patent code procedures. This will help us achieve our goals beyond patent reexamination, which include giving investors confidence in a patented invention so that doubts can be cast aside and that capital may be raised to help in the financing of entrepreneurial concern.

Second, this bill does not create new tools for litigation to harass or abuse inventors. In the past I have opposed such legislation and will continue to do so in the future.

Finally, I appreciate the concerns that the gentleman has raised. The Subcommittee on Courts, the Internet and Intellectual Property held two hearings on this subject earlier this year. In an effort to continue exploring this vital subject, I am directing my staff to schedule a third hearing on this subject and other issues of importance to inventors.

I thank the gentleman and look forward to working with him on his issue.

Mr. BERMAN. Madam Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. SENSENBRENNER. Madam Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mrs. BIGGERT). The question is on the motion offered by the gentleman from Wisconsin (Mr. SENSENBRENNER) that the House suspend the rules and pass the bill, H.R. 1886.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

REQUIRING A REPORT ON THE OPERATIONS OF THE STATE JUSTICE INSTITUTE

Mr. SENSENBRENNER. Madam Speaker, I move to suspend the rules and pass the bill (H.R. 2048) to require