

AN ACT

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

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title- This Act may be cited as the 'Leahy-Smith America Invents Act'.

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

Sec. 1. Short title; table of contents.

Sec. 2. Definitions~~First inventor to file.~~

Sec. 3. First inventor to file.

Sec. 4. Inventor's oath or declaration.

~~Sec. 4.~~ Virtual marking and advice of counsel.

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~~Sec. 98.~~ Venue.

~~Sec. 109.~~ Fee setting authority.

~~Sec. 11.~~ Fees for patent services.

~~Sec. 1240.~~ Supplemental examination.

~~Sec. 11.~~ Residency of Federal Circuit judges.

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Sec. 13. Funding agreements.

Sec. 14. Tax strategies deemed within the prior art.

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Sec. 16. Marking~~Technical amendments.~~

Sec. 17. Advice~~Clarification~~ of counsel~~jurisdiction.~~

Sec. 18. Transitional program for covered business-method patents.

Sec. 19. Jurisdiction and procedural matters.

Sec. 20. Technical amendments.

Sec. 21. Travel expenses and payment of administrative judges.

~~Sec. 2220.~~ Patent and Trademark Office funding.

~~Sec. 2324.~~ Satellite offices.

~~Sec. 22.~~ Patent Ombudsman Program for small business concerns.

~~Sec. 23.~~ Priority examination for technologies important to American competitiveness.

Sec. 24. Designation of Detroit satellite office.

Sec. 25. Priority examination for important technologies.

Sec. 26. Study on implementation.

Sec. 27. Study on genetic testing.

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Sec. 29. Establishment of methods for studying the diversity of applicants.

Sec. 30. Sense of Congress.

Sec. 31. USPTO study on international patent protections for small businesses.

Sec. 32. Pro bono program.

Sec. 33. Limitation on issuance of patents.

Sec. 34. Study of patent litigation.

Sec. 35. Effective date.

Sec. ~~3626~~. Budgetary effects.

Sec. 37. Calculation of 60-day period for application of patent term extension.

SEC. 2. DEFINITIONS.

In this Act:

(1) DIRECTOR- The term `Director' means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

(2) OFFICE- The term `Office' means the United States Patent and Trademark Office.

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

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

(5) TRADEMARK PUBLIC ADVISORY COMMITTEE- The term `Trademark Public Advisory Committee' means the Trademark Public Advisory Committee established under section 5(a) of title 35, United States Code.

SEC. 3. FIRST INVENTOR TO FILE.

(a) Definitions- Section 100 of title 35, United States Code, is amended--

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

(2) by adding at the end the following:

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

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

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

`(i)(1) The term `effective filing date' ~~for~~ a claimed invention in a patent or application for patent means--

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

`(c) Common Ownership Under Joint Research Agreements- Subject matter disclosed and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person in applying the provisions of subsection (b)(2)(C) if--

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

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

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

`(d) Patents and Published Applications Effective as Prior Art- For purposes of determining whether a patent or application for patent is prior art to a claimed invention under subsection (a)(2), such patent or application shall be considered to have been effectively filed, with respect to any subject matter described in the patent or application-

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

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

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

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

`102. Conditions for patentability; novelty.'

(c) Conditions for Patentability; Nonobvious Subject Matter- Section 103 of title 35, United States Code, is amended to read as follows:

`Sec. 103. Conditions for patentability; ~~non-obvious~~ ~~nonobvious~~ subject matter

`A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention

to a person having ordinary skill in the art to which the claimed invention pertains. Patentability shall not be negated by the manner in which the invention was made.'

(d) Repeal of Requirements for Inventions Made Abroad- Section 104 of title 35, United States Code, and the item relating to that section in the table of sections for chapter 10 of title 35, United States Code, are repealed.

(e) Repeal of Statutory Invention Registration-

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

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

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

(f) Earlier Filing Date for Inventor and Joint Inventor- Section 120 of title 35, United States Code, is amended by striking 'which is filed by an inventor or inventors named' and inserting 'which names an inventor or joint inventor'.

(g) Conforming Amendments-

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

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

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

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

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

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

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

(A) in paragraph (2)--

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

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

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

(h) Derived Patents- ~~Section 291 of title 35, United States Code, is amended to read as follows:~~

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

Sec. 291. Derived Patentspatents

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

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

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

'291. Derived patents.'

(i) Derivation Proceedings- Section 135 of title 35, United States Code, is amended to read as follows:

Sec. 135. Derivation proceedings

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

(b) Determination by Patent Trial and Appeal Board- In a derivation proceeding instituted under subsection (a), the Patent Trial and Appeal Board shall determine whether an inventor named in the earlier application derived the claimed invention from an inventor named in the petitioner's application and, without authorization, the earlier application claiming such invention was filed. In appropriate circumstances, the Patent Trial and Appeal Board may correct the naming of the inventor in any application or patent at issue. The Director shall prescribe regulations setting forth standards for the

conduct of derivation proceedings, including requiring parties to provide sufficient evidence to prove and rebut a claim of derivation.

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

`(d) Effect of Final Decision- The final decision of the Patent Trial and Appeal Board, if adverse to claims in an application for patent, shall constitute the final refusal by the Office on those claims. The final decision of the Patent Trial and Appeal Board, if adverse to claims in a patent, shall, if no appeal or other review of the decision has been or can be taken or had, constitute cancellation of those claims, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation.

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

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

(j) Elimination of References to Interferences- (1) Sections ~~41,~~ 134, 145, 146, 154, ~~305,~~ and ~~305314~~ of title 35, United States Code, are each amended by striking 'Board of Patent Appeals and Interferences' each place it appears and inserting 'Patent Trial and Appeal Board'.

(2)(A) ~~Section~~~~Sections~~ 146 ~~and 154~~ of title 35, United States Code, ~~is~~~~are each~~ amended--

(i) by striking 'an interference' ~~each place it appears~~ and inserting 'a derivation proceeding'; and

(ii) by striking 'the interference' ~~each additional place it appears~~ and inserting 'the derivation proceeding'.

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

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

(i) striking “OR” and inserting “OF”; and

(ii) striking “SECRECY ORDER” and inserting “SECRECY ORDERS”.

(3) The section heading for section 134 of title 35, United States Code, is amended to read as follows:

“Sec. 134. Appeal to the Patent Trial and Appeal Board”.

(4) The section heading for section 146 of title 35, United States Code, is amended to read as follows:

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

~~(5)(5) Section 154(b)(1)(C) of title 35, United States Code, is amended by striking “INTERFERENCES” and inserting “DERIVATION PROCEEDINGS”.~~

~~(6) The item relating to section 6 in the table of sections for chapter 1 of title 35, United States Code, is amended to read as follows:~~

~~“6. Patent Trial and Appeal Board.”~~

~~(7) The items relating to sections 134 and 135 in the table of sections for chapter 12 of title 35, United States Code, are amended to read as follows:~~

~~“134. Appeal to the Patent Trial and Appeal Board.~~

~~“135. Derivation proceedings.”~~

~~(68) The item relating to section 146 in the table of sections for chapter 13 of title 35, United States Code, is amended to read as follows:~~

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

(k) ~~False Marking-~~

~~(1) IN GENERAL- Section 292 of title 35, United States Code, is amended-~~

~~(A) in subsection (a), by adding at the end the following:~~

~~“Only the United States may sue for the penalty authorized by this subsection.”; and~~

~~(B) by striking subsection (b) and inserting the following:~~

~~“(b) Any person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.”~~

~~(2) EFFECTIVE DATE- The amendments made by this subsection shall apply to all cases, without exception, pending on or after the date of the enactment of this Act.~~

~~(4) Statute of Limitations-~~

(1) IN GENERAL- Section 32 of title 35, United States Code, is amended by inserting between the third and fourth sentences the following: “A proceeding under this section shall be commenced not later than the earlier of either the date that is 10 years after the date on which the misconduct forming the basis for the proceeding occurred, or 1 year after the date on which the misconduct forming the basis for the proceeding is made known to an officer or employee of the Office as prescribed in the regulations established under section 2(b)(2)(D).”

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

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

(m) Small Business Study-

(1) DEFINITIONS- In this subsection--

(A) the term `Chief Counsel' means the Chief Counsel for Advocacy of the Small Business Administration;

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

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

(2) STUDY-

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

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

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

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

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

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

(3) REPORT- Not later than ~~the date that is~~ 1 year after the date of ~~the~~ enactment of this Act, the Chief Counsel shall submit to the Committee on Small Business and Entrepreneurship and the Committee on the Judiciary of the Senate and the Committee on Small Business and the Committee on the Judiciary of the House

of Representatives a report ~~on~~regarding the results of the study under paragraph (2).

~~(m)~~ Report on Prior User Rights-

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

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

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

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

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

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

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

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

~~(n)~~ Effective Date-

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

(A) a claim to a claimed invention that has an effective filing date as defined in section 100(i) of title 35, United States Code, that is ~~on~~18 months or ~~more~~ after the ~~effective~~ date ~~described in~~of the enactment of this ~~paragraph~~Aet; or

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

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

- (A) a claim to an invention having an effective filing date as defined in section 100(i) of title 35, United States Code, ~~that occurs before~~earlier than 18 months after the effective date ~~set forth in paragraph (1) of the enactment~~ of this ~~subsection~~Aet; or
- (B) a specific reference under section 120, 121, or 365(c) of title 35, United States Code, to any patent or application that contains or contained at any time such a claim.

(o) Sense of Congress- It is the sense of the Congress that converting the United States patent system from 'first to invent' to a system of 'first inventor to file' will promote the progress of science and the useful arts by securing for limited times to inventors the exclusive rights to their discoveries and provide inventors with greater certainty regarding the scope of protection provided by the grant of exclusive rights to their discoveries.

(p) Sense of Congress- It is the sense of the Congress that converting the United States patent system from 'first to invent' to a system of 'first inventor to file' will improve the United States patent system and promote harmonization of the United States patent system with the patent systems commonly used in nearly all other countries throughout the world with whom the United States conducts trade and thereby promote greater international uniformity and certainty in the procedures used for securing the exclusive rights of inventors to their discoveries.

SEC. 43. INVENTOR'S OATH OR DECLARATION.

(a) Inventor's Oath or Declaration-

(1) IN GENERAL- Section 115 of title 35, United States Code, is amended to read as follows:

`Sec. 115. Inventor's oath or declaration

`(a) Naming the Inventor; Inventor's Oath or Declaration- An application for patent that is filed under section 111(a) or commences the national stage under section 371 shall include, or be amended to include, the name of the inventor for any invention claimed in the application. Except as otherwise provided in this section, each individual who is the inventor or a joint inventor of a claimed invention in an application for patent shall execute an oath or declaration in connection with the application.

`(b) Required Statements- An oath or declaration under subsection (a) shall contain statements that--

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

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

`(c) Additional Requirements- The Director may specify additional information relating to the inventor and the invention that is required to be included in an oath or declaration under subsection (a).

`(d) Substitute Statement-

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

`(2) PERMITTED CIRCUMSTANCES- A substitute statement under paragraph (1) is permitted with respect to any individual who--

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

`(i) is deceased;

`(ii) is under legal incapacity; or

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

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

`(3) CONTENTS- A substitute statement under this subsection shall--

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

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

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

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

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

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

`(2) COPIES OF OATHS, DECLARATIONS, STATEMENTS, OR

ASSIGNMENTS- Notwithstanding paragraph (1), the Director may require that a copy of the executed oath or declaration, the substitute statement, or the

assignment filed in connection with the earlier-filed application be included in the later-filed application.

`(h) Supplemental and Corrected Statements; Filing Additional Statements-

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

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

`(3) SAVINGS CLAUSE- ~~A~~No patent shall not be invalid or unenforceable based upon the failure to comply with a requirement under this section if the failure is remedied as provided under paragraph (1).

`(i) Acknowledgment of Penalties- Any declaration or statement filed pursuant to this section shall contain an acknowledgment that any willful false statement made in such declaration or statement is punishable under section 1001 of title 18 by fine or imprisonment of not more than 5 years, or both.'

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

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

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

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

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

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

`115. Inventor's oath or declaration.'

(b) Filing by Other Than Inventor-

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

`Sec. 118. Filing by other than inventor

`A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent. A person who otherwise shows sufficient proprietary interest in the matter may make an application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is

appropriate to preserve the rights of the parties. If the Director grants a patent on an application filed under this section by a person other than the inventor, the patent shall be granted to the real party in interest and upon such notice to the inventor as the Director considers to be sufficient.'

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

(c) Specification- Section 112 of title 35, United States Code, is amended--

(1) in the first undesignated paragraph--

(A) by striking 'The specification' and inserting '(a) In General- The specification'; and

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

(2) in the second undesignated paragraph--

(A) by striking 'The specification' and inserting '(b) Conclusion- The specification'; and

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

(3) in the third undesignated paragraph, by striking 'A claim' and inserting '(c) Form- A claim';

(4) in the fourth undesignated paragraph, by striking 'Subject to the following paragraph,' and inserting '(d) Reference in Dependent Forms- Subject to subsection (e),';

(5) in the fifth undesignated paragraph, by striking 'A claim' and inserting '(e) Reference in Multiple Dependent Form- A claim'; and

(6) in the last undesignated paragraph, by striking 'An element' and inserting '(f) Element in Claim for a Combination- An element'.

(d) Conforming Amendments-

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

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

(e) Effective Date- The amendments made by this section shall take effect upon the expiration of the 1 -year period beginning onafter the date of the enactment of this Act and shall apply to any patent applicationapplications that isare filed on or after that effective date.

SEC. 5. DEFENSE TO INFRINGEMENT BASED ON PRIOR COMMERCIAL USE~~4~~. VIRTUAL MARKING AND ADVICE OF COUNSEL.

(a) In General~~Defense to Infringement Based on Earlier Inventor~~- Section 273~~(b)(6)~~ of title 35, United States Code, is amended to read as follows:

`Sec. 273. Defense to infringement based on prior commercial use

¶(a) In General- A person shall be entitled to a defense under section 282(b) with respect to subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process, that would otherwise infringe a claimed invention being asserted against the person if--

¶(1) such person, acting in good faith, commercially used the subject matter in the United States, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use; and

¶(2) such commercial use occurred at least 1 year before the earlier of either--

¶(A) the effective filing date of the claimed invention; or

¶(B) the date on which the claimed invention was disclosed to the public in a manner that qualified for the exception from prior art under section 102(b).

¶(b) Burden of Proof- A person asserting a defense under this section shall have the burden of establishing the defense by clear and convincing evidence.

¶(c) Additional Commercial Uses-

¶(1) PREMARKETING REGULATORY REVIEW- Subject matter for which commercial marketing or use is subject to a premarketing regulatory review period during which the safety or efficacy of the subject matter is established, including any period specified in section 156(g), shall be deemed to be commercially used for purposes of subsection (a)(1) during such regulatory review period.

¶(2) NONPROFIT LABORATORY USE- A use of subject matter by a nonprofit research laboratory or other nonprofit entity, such as a university or hospital, for which the public is the intended beneficiary, shall be deemed to be a commercial use for purposes of subsection (a)(1), except that a defense under this section may be asserted pursuant to this paragraph only for continued and noncommercial use by and in the laboratory or other nonprofit entity.

¶(d) Exhaustion of Rights- Notwithstanding subsection (e)(1), the sale or other disposition of a useful end result by a person entitled to assert a defense under this section in connection with a patent with respect to that useful end result shall exhaust the patent owner's rights under the patent to the extent that such rights would have been exhausted had such sale or other disposition been made by the patent owner.

¶(e) Limitations and Exceptions-

¶(1) ~~(6)~~ PERSONAL DEFENSE-

¶(A) IN GENERAL- ~~A~~The defense under this section may be asserted only by the person who performed or ~~directed~~~~caused~~ the performance of the commercial use described in subsection (a), or by an~~entity that controls, is controlled by, or is under common control with such person.~~~~entity that controls, is controlled by, or is under common control with such person.~~

¶(B) TRANSFER OF RIGHT- ~~Except and, except~~ for any transfer to the patent owner, the right to assert ~~the~~ defense under this section shall not be licensed or assigned or transferred to another person except as an ancillary and subordinate part of a good ~~faith~~ assignment or transfer for other reasons of the entire enterprise or line of business to which the defense relates. ~~Notwithstanding the preceding sentence, any person may, on its own behalf, assert a defense based on~~

~~the exhaustion of rights provided under paragraph (3), including any necessary elements thereof.'~~

~~(b) Virtual Marking- Section 287(a) of title 35, United States Code, is amended by inserting `', or by fixing thereon the word `patent' or the abbreviation `pat.' together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent' before `', or when'.~~

~~(c) Advice of Counsel` (C) RESTRICTION ON SITES- A defense under this section, when acquired by a person as part of an assignment or transfer described in subparagraph (B), may only be asserted for uses at sites where the subject matter that would otherwise infringe a claimed invention is in use before the later of the effective filing date of the claimed invention or the date of the assignment or transfer of such enterprise or line of business.~~

~~`(2) DERIVATION- A person may not assert a defense under this section if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee.~~

~~`(3) NOT A GENERAL LICENSE- The defense asserted by a person under this section is not a general license under all claims of the patent at issue, but extends only to the specific subject matter for which it has been established that a commercial use that qualifies under this section occurred, except that the defense shall also extend to variations in the quantity or volume of use of the claimed subject matter, and to improvements in the claimed subject matter that do not infringe additional specifically claimed subject matter of the patent.~~

~~`(4) ABANDONMENT OF USE- A person who has abandoned commercial use (that qualifies under this section) of subject matter may not rely on activities performed before the date of such abandonment in establishing a defense under this section with respect to actions taken on or after the date of such abandonment.~~

~~`(5) UNIVERSITY EXCEPTION-~~

~~`(A) IN GENERAL- A person commercially using subject matter to which subsection (a) applies may not assert a defense under this section if the claimed invention with respect to which the defense is asserted was, at the time the invention was made, owned or subject to an obligation of assignment to either an institution of higher education (as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)), or a technology transfer organization whose primary purpose is to facilitate the commercialization of technologies developed by one or more such institutions of higher education.~~

~~`(B) EXCEPTION- Subparagraph (A) shall not apply if any of the activities required to reduce to practice the subject matter of the claimed invention could not have been undertaken using funds provided by the Federal Government.~~

~~`(f) Unreasonable Assertion of Defense- If the defense under this section is pleaded by a person who is found to infringe the patent and who subsequently fails to demonstrate a~~

reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney fees under section 285.

“(g) Invalidity- A patent shall not be deemed to be invalid under section 102 or 103 solely because a defense is raised or established under this section.”

(b) Conforming Amendment- The item relating to section 273 in the table of sections for chapter 28 of title 35, United States Code, is amended to read as follows:

“273. Defense to infringement based on prior commercial use.”

(c) Counsel

~~“The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent or the failure of the infringer to present such advice to the court or jury may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.”~~

~~(d) Effective Date- The amendments made by this section shall apply to any patent issued ~~civil action commenced~~ on or after the date of the enactment of this Act.~~

SEC. 5. POST-GRANT REVIEW PROCEEDINGS.

(a) Inter Partes Review- Chapter 31 of title 35, United States Code, is amended to read as follows:

“CHAPTER 31--INTER PARTES REVIEW

“Sec.

“311. Inter partes review.

“312. Petitions.

“313. Preliminary response to petition.

“314. Institution of inter partes review.

“315. Relation to other proceedings or actions.

“316. Conduct of inter partes review.

“317. Settlement.

“318. Decision of the ~~Board~~board.

“319. Appeal.

“Sec. 311. Inter partes review

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

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

`(c) Filing Deadline- A petition for inter partes review shall be filed after the later of either--

of the patent. `(1) the date that is 9 months after the grant of a patent or issuance of a reissue of a patent; or

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

`Sec. 312. Petitions

`(a) Requirements of Petition- A petition filed under section 311 may be considered only if--

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

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

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

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

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

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

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

`(b) Public Availability- As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

`Sec. 313. Preliminary response to petition

~~“(a) Preliminary Response—If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets:~~

~~“(b) Content of Response—A preliminary response to a petition for inter partes review shall set forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.~~

`Sec. 314. Institution of inter partes review

`(a) Threshold- The Director may not authorize an inter partes review to be instituted ~~commence~~ unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

`(b) Timing- The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after-- within 3 months after receiving a preliminary response under section 313 or, if none is filed, within three months after the expiration of the time for filing such a response.

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

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

`(c) Notice- The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include~~list~~ the date on which the review shall commence.

`(d) No Appeal- The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

`Sec. 315. Relation to other proceedings or actions

`(a) Infringer's Civil Action-

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

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

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

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

`(C) the petitioner or real party in interest moves the court to dismiss the civil action.

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

`(b) Patent Owner's Action- An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year~~6 months~~ after the date on which the petitioner, real party in interest, or ~~his~~privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

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

`(d) Multiple Proceedings- Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which

the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) Estoppel-

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

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

Sec. 316. Conduct of inter partes review

(a) Regulations- The Director shall prescribe regulations--

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

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

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

~~(4)~~(4) ~~in accordance with section 2(b)(2)~~; establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting ~~a time period for requesting joinder under section 315(c)~~;

~~(6)~~ setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to--

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

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

~~(7)~~ prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

~~(8)~~ providing for protective orders governing the exchange and submission of confidential information;

~~(8) providing for the filing by~~^{9) allowing} the patent owner ~~of to file~~ a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

~~(910)~~ setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

~~(1011)~~ providing either party with the right to an oral hearing as part of the proceeding; ~~and~~

~~(1112)~~ requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);~~:-~~

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

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

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

(c) Patent Trial and Appeal Board- The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter proceeding authorized by the Director.

(d) Amendment of the Patent-

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

(A) Cancel any challenged patent claim.

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

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

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

(e) Evidentiary Standards- In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

Sec. 317. Settlement

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

(b) Agreements in Writing- Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the filing of such agreement or understanding shall be treated as business confidential information, so requests, the copy shall be kept separate from the file of the involved patents inter partes review, and shall be made available only to Federal Government agencies ~~upon~~ written request, or to any ~~other~~ person on a showing of good cause.

Sec. 318. Decision of the ~~Board~~Board

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

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

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

(d) ~~Data on Length of Review- The Patent and Trademark Office shall make available to the public data describing the length of time between the~~ institution of, and the issuance of a final written decision under subsection (a) for, commencement of each inter partes review ~~and the conclusion of that review.~~

Sec. 319. Appeal

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

(b) ~~Technical and~~ Conforming Amendment- The table of chapters for part III of title 35, United States Code, is amended by striking the item relating to chapter 31 and inserting the following:

~~311'311'.~~

(c) Regulations and Effective Date-

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

(2) APPLICABILITY-

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

~~(B) EXCEPTION- The provisions of chapter 31 of title 35, United States Code, as amended by paragraph (3), shall continue to apply to requests for inter partes reexamination that are filed prior to the effective date of subsection (a) as if subsection (a) had not been enacted.~~

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

(3) TRANSITION-

(A) IN GENERAL- Chapter 31 of title 35, United States Code, is amended--

(i) in section 312--

(I) in subsection (a)--

(aa) in the first sentence, by striking `a substantial new question of patentability affecting any claim of the patent concerned is raised by the request,' and inserting `the information presented in the request shows that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request,'; and

(bb) in the second sentence, by striking `The existence of a substantial new question of patentability' and inserting `A showing that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request'; and

(II) in subsection (c), in the second sentence, by striking 'no substantial new question of patentability has been raised,' and inserting 'the showing required by subsection (a) has not been made,'; and

(ii) in section 313, by striking 'a substantial new question of patentability affecting a claim of the patent is raised' and inserting 'it has been shown that there is a reasonable likelihood that the requester would prevail with respect to at least 1 of the claims challenged in the request'.

(B) APPLICATION- The amendments made by this paragraph ~~shall apply to requests for inter partes reexamination that are filed on or after the date of the enactment of this Act, but prior to the effective date of subsection (a).~~

(i) shall take effect on the date of the enactment of this Act; and
(ii) shall apply to requests for inter partes reexamination that are filed on or after such date of enactment, but before the effective date set forth in paragraph (2)(A) of this subsection.

(C) CONTINUED APPLICABILITY OF PRIOR PROVISIONS- The provisions of chapter 31 of title 35, United States Code, as amended by this paragraph, shall continue to apply to requests for inter partes reexamination that are filed before the effective date set forth in paragraph (2)(A) as if subsection (a) had not been enacted.

(d) Post-Grant Review- Part III of title 35, United States Code, is amended by adding at the end the following:

CHAPTER 32--POST-GRANT REVIEW

Sec.

321. Post-grant review.

322. Petitions.

323. Preliminary response to petition.

324. Institution of post-grant review.

325. Relation to other proceedings or actions.

326. Conduct of post-grant review.

327. Settlement.

328. Decision of the ~~Board~~board.

329. Appeal.

Sec. 321. Post-grant review

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

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

`(c) Filing Deadline- A petition for a post-grant review ~~may only shall~~ be filed not later than the date that is 9 months after the date of the grant of the patent or of the issuance of a reissue patent (as the case may be).

`Sec. 322. Petitions

`(a) Requirements of Petition- A petition filed under section 321 may be considered only if--

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

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

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

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

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

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

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

`(b) Public Availability- As soon as practicable after the receipt of a petition under section 321, the Director shall make the petition available to the public.

`Sec. 323. Preliminary response to petition

~~`(a) Preliminary Response~~—If a post-grant review petition is filed under section 321, the patent owner shall have the right to file a preliminary response ~~to within 2 months of the filing of~~ the petition, within :

~~`(b) Content of Response~~—A preliminary response to a ~~time period~~ petition for post-grant review shall set by the Director, that sets forth reasons why no post-grant review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

`Sec. 324. Institution of post-grant review

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

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

(c) Timing- The Director shall determine whether to institute a post-grant review under this chapter pursuant to a petition filed under section 321 within 3 months after--within 3 months after receiving a preliminary response under section 323 or, if none is filed, the expiration of the time for filing such a response.

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

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

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

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

Sec. 325. Relation to other proceedings or actions

(a) Infringer's Civil Action-

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

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

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

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

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

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

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

(c) Joinder- If more than 1 petition for a post-grant review under this chapter is properly filed against the same patent and the Director determines that more than 1 of these

petitions warrants the institution of a post-grant review under section 324, the Director may consolidate such reviews into a single post-grant review.

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

(e) Estoppel-

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

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

(f) Reissue Patents- A post-grant review may not be instituted under this chapter if the petition requests cancellation of a claim in a reissue patent that is identical to or narrower than a claim in the original patent from which the reissue patent was issued, and the time limitations in section 321(c) would bar filing a petition for a post-grant review for such original patent.

Sec. 326. Conduct of post-grant review

(a) Regulations- The Director shall prescribe regulations--

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

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

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

~~(4)~~ ~~(4) in accordance with section 2(b)(2)~~, establishing and governing a post-grant review under this chapter and the relationship of such review to other proceedings under this title;

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

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

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

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

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

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

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

~~(12) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.~~

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

(c) Patent Trial and Appeal Board- The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each post-grant review instituted under this chapter proceeding authorized by the Director.

(d) Amendment of the Patent-

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

(A) Cancel any challenged patent claim.

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

`(2) ADDITIONAL MOTIONS- Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 327, or upon the request of the patent owner for good cause shown.

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

`(e) Evidentiary Standards- In a post-grant review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

`Sec. 327. Settlement

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

`(b) Agreements in Writing- Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of a post-grant review under this section shall be in writing, and a true copy of such agreement or understanding shall be filed in the Office before the termination of the post-grant review as between the parties. At the request of ~~aff~~ any party to the proceeding, the filing such agreement or understanding shall be treated as business confidential information, so requests, the copy shall be kept separate from the file of the involved patents~~post-grant review~~, and shall be made available only to Federal Government agencies on~~upon~~ written request, or to any ~~other~~ person on a showing of good cause.

`Sec. 328. Decision of the Board

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

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

`(c) Intervening Rights- Any proposed amended or new claim determined to be patentable and incorporated into a patent following a post-grant review under this chapter

shall have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) Data on Length of Review- The ~~Patent and Trademark~~ Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, commencement of each post-grant review ~~and the conclusion of that review.~~

Sec. 329. Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 328(a) may appeal the decision pursuant to sections 141 through 144. Any party to the post-grant review shall have the right to be a party to the appeal.'

(e) ~~Technical and~~ Conforming Amendment- The table of chapters for part III of title 35, United States Code, is amended by adding at the end the following:

321'321-.

(f) Regulations and Effective Date-

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

(2) APPLICABILITY-

(A) IN GENERAL- The amendments made by subsection (d) shall take effect ~~upon~~ the expiration of the date that is 1 -year period beginning on after the date of the enactment of this Act and, except as provided in section 18 and in paragraph (3), shall apply only to patents described in section 3(n)(1) that are described in section 2(o)(1). ~~The Director may impose a limit on the number of post-grant reviews that may be instituted during each of the 4 years following the effective date of subsection (d).~~

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

(3) PENDING INTERFERENCES-

(A) PROCEDURES IN GENERAL- The Director shall determine, and include in the regulations issued under paragraph (1), the procedures under which ~~an interference~~ interferences commenced before the effective date set forth in paragraph (2)(A) is of subsection (d) are to proceed, including whether ~~any~~ such interference--

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

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

~~(B) PROCEEDINGS BY PATENT TRIAL AND APPEAL BOARD--The Director shall include such procedures in regulations issued under paragraph (1).~~ For purposes of an interference that is commenced before the effective date set forth in paragraph (2)(A)~~of subsection (d)~~, the Director may deem the Patent Trial and Appeal Board to be the Board of Patent Appeals and Interferences, and may allow the Patent Trial and Appeal Board to conduct any further proceedings in that interference.

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

(g) Citation of Prior Art and Written Statements-

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

Sec. 301. Citation of prior art and written statements

(a) In General- Any person at any time may cite to the Office in writing--

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

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

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

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

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

(e) Confidentiality- Upon the written request of the person citing prior art or written statements pursuant to subsection (a), that person's identity shall be excluded from the patent file and kept confidential.

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

301. Citation of prior art and written statements.

(3) EFFECTIVE DATE- The ~~amendments~~amendment made by this subsection shall take effect upon the expiration of the 1-4-year period beginning on after the date of the enactment of this Act and shall apply to any patent~~patents~~ issued before, on, or after that effective date.

(h) Reexamination-

(1) DETERMINATION BY DIRECTOR-

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

(B) EFFECTIVE DATE- The amendment made by this paragraph shall take effect upon the expiration of the 1-4-year period beginning on after the date of the enactment of this Act and shall apply to any patent~~patents~~ issued before, on, or after that effective date.

(2) APPEAL-

(A) IN GENERAL- Section 306 of title 35, United States Code, is amended by striking '145' and inserting '144'.

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

SEC. 76. PATENT TRIAL AND APPEAL BOARD.

(a) Composition and Duties-

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

Sec. 6. Patent Trial and Appeal Board

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

(b) Duties- The Patent Trial and Appeal Board shall--

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

- `(2) review appeals of reexaminations pursuant to section 134(b);
- `(3) conduct derivation proceedings pursuant to section 135; and
- `(4) conduct inter partes reviews and post-grant reviews pursuant to chapters 31 and 32.

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

`(d) Treatment of Prior Appointments- The Secretary of Commerce may, in the Secretary's discretion, deem the appointment of an administrative patent judge who, before the date of the enactment of this subsection, held office pursuant to an appointment by the Director to take effect on the date on which the Director initially appointed the administrative patent judge. It shall be a defense to a challenge to the appointment of an administrative patent judge on the basis of the judge's having been originally appointed by the Director that the administrative patent judge so appointed was acting as a de facto officer.'

(2) CONFORMING AMENDMENT- The item relating to section 6 in the table of sections for chapter 1 of title 35, United States Code, is amended to read as follows:

'6. Patent Trial and Appeal Board.'

(b) Administrative Appeals- Section 134 of title 35, United States Code, is amended--

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

(2) by striking subsection (c).

(c) Circuit Appeals-

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

`Sec. 141. Appeal to ~~the~~ Court of Appeals for the Federal Circuit

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

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

`(c) Post-Grant and Inter Partes Reviews- A party to ~~an a post-grant or~~ inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

`(d) Derivation Proceedings- A party to a derivation proceeding who is dissatisfied with the final decision of the Patent Trial and Appeal Board ~~in~~ the proceeding may appeal the decision to the United States Court of Appeals for the Federal Circuit, but such appeal shall be dismissed if any adverse party to such derivation proceeding, within 20 days

after the appellant has filed notice of appeal in accordance with section 142, files notice with the Director that the party elects to have all further proceedings conducted as provided in section 146. If the appellant does not, within 30 days after the filing of such notice by the adverse party, file a civil action under section 146, the Board's decision shall govern the further proceedings in the case.'

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

(A) the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to a patent application~~applications~~, derivation proceeding, reexamination~~proceedings, reexaminations~~, post-grant review, or~~reviews, and~~ inter partes review under title 35,~~reviews~~ at the instance of a party who exercised that party's~~his~~ right to participate in the applicable proceeding before or appeal to the Board, except that an applicant or a party to a derivation proceeding may also have remedy by civil action pursuant to section 145 or 146 of title 35; ~~an~~~~An~~ appeal under this subparagraph of a decision of the Board with respect to an application or derivation proceeding shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;'

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

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

(B) by ~~striking~~~~repealing~~ the last sentence.

(d) Conforming Amendments-

(1) ATOMIC ENERGY ACT OF 1954- Section 152~~second~~ of the Atomic Energy Act of 1954 (42 U.S.C. 2182) is amended in the third undesignated paragraph--two identical fourth sentences-

(A) by striking 'Board of Patent Appeals and Interferences' each place it appears and inserting 'Patent Trial and Appeal Board'; and

(B) by inserting 'and derivation' after 'established for interference'.

(2) TITLE 51- Section 20135 of title 51, United States Code, is amended--

(A) in subsections (e) and (f), by striking 'Board of Patent Appeals and Interferences' each place it appears and inserting 'Patent Trial and Appeal Board'; and

(B) in subsection (e), by inserting 'and derivation' after 'established for interference'.

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

(1) the extension of jurisdiction to the United States Court of Appeals for the Federal Circuit to entertain appeals of decisions of the Patent Trial and Appeal

Board in reexaminations under the amendment made by subsection (c)(2) shall be deemed to take effect on the date of the enactment of this Act and shall extend to any decision of the Board of Patent Appeals and Interferences with respect to a reexamination that is entered before, on, or after the date of the enactment of this Act;

(2) the provisions of sections 6, 134, and 141 of title 35, United States Code, as in effect on the day ~~before~~effective ~~prior to~~ the effective date of the amendments made by enactment of this section shall continue to apply to inter partes reexaminations that are requested under section 311 of such title before such effective ~~prior to the date that is 1 year after the date of the enactment of this Act;~~

(3) the Patent Trial and Appeal Board may be deemed to be the Board of Patent Appeals and Interferences for purposes of appeals of inter partes reexaminations that are requested under section 311 of title 35, United States Code, before ~~prior to~~ the effective date of that is 1 year after ~~the~~ amendments made by date of the enactment of this section ~~Act;~~ and

(4) the Director's right under the fourth~~last~~ sentence of section 143 of title 35, United States Code, as amended by subsection (c)(3) of this section, to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board shall be deemed to extend to inter partes reexaminations that are requested under section 311 of such title before ~~prior to~~ the effective date of that is 1 year after ~~the~~ amendments made by date of the enactment of this section ~~Act.~~

SEC. 87. PREISSUANCE SUBMISSIONS BY THIRD PARTIES.

(a) In General- Section 122 of title 35, United States Code, is amended by adding at the end the following:

(e) Preissuance Submissions by Third Parties-

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

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

(B) the later of--

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

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

(2) OTHER REQUIREMENTS- Any submission under paragraph (1) shall--

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

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

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

(b) Effective Date- The amendments made by this section shall take effect upon the expiration of the 1 ~~-~~year period beginning on ~~after~~ the date of the enactment of this Act

and shall apply to any patent ~~application~~applications filed before, on, or after that effective date.

SEC. ~~98~~. VENUE.

(a) Technical Amendments Relating to Venue- Sections 32, 145, 146, 154(b)(4)(A), and 293 of title 35, United States Code, and section 21(b)(4) of the Trademark Act of 1946 (~~Act entitled 'An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes', approved July 5, 1946 (commonly referred to as the 'Trademark Act of 1946' or the 'Lanham Act';~~ 15 U.S.C. 1071(b)(4)), are each amended by striking 'United States District Court for the District of Columbia' each place that term appears and inserting 'United States District Court for the Eastern District of Virginia'.

(b) Effective Date- The amendments made by this section shall take effect ~~on~~upon the date of the enactment of this Act and shall apply to any civil ~~action~~actions commenced on or after that date.

SEC. ~~109~~. FEE SETTING AUTHORITY.

(a) Fee Setting-

(1) IN GENERAL- The Director ~~may~~shall have authority to set or adjust by rule any fee established, authorized, or charged under title 35, United States Code, ~~and~~ the Trademark Act of 1946 (15 U.S.C. 1051 et seq.), ~~notwithstanding the fee amounts established, authorized, or charged thereunder,~~ for any all services performed by or materials furnished by, the Office, ~~subject provided that patent and trademark fee amounts are in the aggregate set to paragraph (2). recover the estimated cost to the Office for processing, activities, services, and materials relating to patents and trademarks, respectively, including proportionate shares of the administrative costs of the Office.~~

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

~~(b) Small and Micro Entities- The fees set or adjusted under subsection (a)(2) SMALL AND MICRO ENTITIES- The fees established under paragraph (1) for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents shall be reduced by 50 percent with respect to ~~the~~their application of such fees to any small entity that qualifies for reduced fees under section 41(h)(1) of title 35, United States Code, and shall be reduced by 75 percent with respect to ~~the~~their application of such fees to any micro entity as defined in section 123 of that title (as added by subsection (g) of this section).:~~

~~(c) Reduction of Fees in Certain Fiscal Years~~³ ~~REDUCTION OF FEES IN CERTAIN FISCAL YEARS-~~ In ~~each~~any fiscal year, the Director-

~~(1A)~~ shall consult with the Patent Public Advisory Committee and the Trademark Public Advisory Committee on the advisability of reducing any fees described in ~~subsection (a) paragraph (1)~~; and ~~(2B)~~ after the consultation required under ~~paragraph (1) subparagraph (A)~~, may reduce such fees.

~~(d) Role of the Public Advisory Committee~~
~~4) ROLE OF THE PUBLIC ADVISORY COMMITTEE~~- The Director shall--

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

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

~~(B), and~~ require that--

~~(i)~~ during ~~that such~~ 30-day period, the relevant advisory committee hold a public hearing ~~relating related~~ to such proposal; and ~~(C) ii) the Director shall~~ assist the relevant advisory committee in carrying out ~~that such~~ public hearing, including by offering the use of ~~the Office~~ resources ~~of the Office~~ to notify and promote the hearing to the public and interested stakeholders;

~~(3E)~~ require the relevant advisory committee to make available to the public a written report ~~setting forth in detail detailing~~ the comments, advice, and recommendations of the committee regarding ~~the any~~ proposed fee; ~~and~~

~~(4D)~~ consider and analyze any comments, advice, or recommendations received from the relevant advisory committee before setting or adjusting ~~(as the case may be) the any~~ fee; ~~and~~

~~(e) Publication E) notify, through the Chair and Ranking Member of the Senate and House Judiciary Committees, the Congress of any final rule setting or adjusting fees under paragraph (1).~~

~~(5) PUBLICATION IN THE FEDERAL REGISTER-~~

~~(A) IN GENERAL- Any rules prescribed under this subsection shall be published in the Federal Register-;~~

~~(1) PUBLICATION AND (B) RATIONALE- The Director shall--~~

~~(A) publish any proposed fee Any proposal for a change in fees under this section shall--~~

~~(i) be published~~ in the Federal Register; ~~and~~

~~(B) ii) include, in such publication, the specific rationale and purpose for the proposal, including the possible expectations or benefits resulting from the proposed change; and-~~

~~(C) notify, through the Chair and Ranking Member PUBLIC COMMENT PERIOD- Following the publication of the Committees on the Judiciary of the Senate and the House of Representatives, the Congress of the any~~

proposed change not later than the date on which the proposed change is published under fee in the Federal Register pursuant to subparagraph (A).
~~(2) PUBLIC COMMENT PERIOD-~~ The ~~),~~ the Director shall, in the publication under paragraph (1), provide the seek public comment for a period of not less than 45 days in which to submit comments on the proposed change in fees.

~~(3) PUBLICATION OF FINAL RULE-~~ ~~The~~~~(6) CONGRESSIONAL COMMENT PERIOD-~~ Following the notification described in paragraph (3)(E), Congress shall have not more than 45 days to consider and comment on any final rule setting or adjusting a fee under this section shall be published in the Federal Register and in the Official Gazette of the Patent and Trademark Office.

~~(4) CONGRESSIONAL COMMENT PERIOD-~~ ~~A~~ fees under paragraph (1). No fee set or adjusted under subsection (a) may not become paragraph (1) shall be effective--

~~(A) before prior to~~ the end of ~~thesuch~~ 45-day ~~comment~~ period beginning on the day after the date on which the Director publishes the final rule adjusting or setting the fee under paragraph (3); or-

~~(B) if a law is enacted disapproving such fee.~~

~~(5)(7) RULE OF CONSTRUCTION-~~ ~~Rules~~~~No rules~~ prescribed under this section shall not subsection may diminish--

~~(A) thean applicant's~~ rights of an applicant for a patent under title 35, United States Code, or for a mark under the Trademark Act of 1946; or

~~(B) any rights under a ratified treaty.~~

(f) Retention of Authority- The Director retains the authority under subsection (a) to set or adjust fees only during such period as the Patent and Trademark Office remains an agency within the Department of Commerce.

(g) Micro Entity Defined-

~~(1) IN GENERAL-~~ Chapter 11~~(b) Fees for Patent Services-~~ Division B of Public Law 108-447 is amended in title VIII of the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 2005--

~~(1) in subsections (a), (b), and (c) of section 801, by--~~

~~(A) striking `During' and all that follows through `2006, subsection' and inserting `Subsection'; and~~

~~(B) striking `shall be administered as though that subsection reads' and inserting `is amended to read';~~

~~(2) in subsection (d) of section 801, by striking `During' and all that follows through `2006, subsection' and inserting `Subsection'; and~~

~~(3) in subsection (e) of section 801, by--~~

~~(A) striking `During' and all that follows through `2006, subsection' and inserting `Subsection'; and~~

~~(B) striking `shall be administered as though that subsection'.~~

~~(c) Adjustment of Trademark Fees-~~ Division B of Public Law 108-447 is amended in title VIII of the Departments of Commerce, Justice and State, the Judiciary and Related Agencies Appropriations Act, 2005, in section 802(a) by striking `During fiscal years 2005, 2006 and 2007', and inserting `Until such time as the Director sets or adjusts the fees otherwise,'.

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

~~(e) Statutory Authority—Section 41(d)(1)(A) of title 35, United States Code, is amended by adding at the end the following new section:striking ‘, and the Director may not increase any such fee thereafter’.~~

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

~~(g) Definitions—In this section, the following definitions shall apply:~~

~~(1) DIRECTOR—The term ‘Director’ means the Director of the United States Patent and Trademark Office.~~

~~‘(c) Foreign Currency Exchange Rate- If an applicant's or entity's gross income in the preceding calendar year is not in United States dollars, the average currency exchange rate, as reported by the Internal Revenue Service, during that calendar year shall be used to determine whether the applicant's or entity's gross income exceeds the threshold specified in paragraphs (3) or (4) of subsection (a).~~

~~‘(d) Institutions of Higher Education- For purposes of this section, a micro entity shall include an applicant who certifies that--~~

~~‘(1) the applicant's employer, from which the applicant obtains the majority of the applicant's income, is an institution of higher education as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)); or~~

~~‘(2) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law, to assign, grant, or convey, a license or other ownership interest in the particular applications to such an institution of higher education.~~

~~‘(e) Director's Authority- In addition to the limits imposed by this section, the Director may, in the Director's discretion, impose income limits, annual filing limits, or other limits on who may qualify as a micro entity pursuant to this section if the Director determines that such additional limits are reasonably necessary to avoid an undue impact on other patent applicants or owners or are otherwise reasonably necessary and appropriate. At least 3 months before any limits proposed to be imposed pursuant to this subsection take effect, the Director shall inform the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate of any such proposed limits.’.~~

~~(2) CONFORMING AMENDMENT- Chapter 11 of title 35, United States Code, is amended by adding at the end the following new item:~~

~~‘123. Micro entity defined.’.~~

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

~~(h) Electronic Filing Incentive-~~

(1) IN GENERAL- Notwithstanding any other provision of this section, an additional fee of \$400 shall be established for each application for an original patent, except for a design, plant, or provisional application, that is not filed by electronic means as prescribed by the Director. The fee established by this subsection shall be reduced by 50 percent for small entities that qualify for reduced fees under section 41(h)(1) of title 35, United States Code. All fees paid under this subsection shall be deposited in the Treasury as an offsetting receipt that shall not be available for obligation or expenditure.

(2) EFFECTIVE DATE- This subsection shall take effect upon the expiration of the 60-day period beginning on~~become effective 60 days after~~ the date of the enactment of this Act.

(i) Effective Date; Sunset-

(1) EFFECTIVE DATE- Except as provided in subsection (h), this section and the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) SUNSET- The authority of the Director to set or adjust any fee under subsection (a) shall terminate upon the expiration of the 7-year period beginning on the date of the enactment of this Act.

(3) PRIOR REGULATIONS NOT AFFECTED- The termination of authority under this subsection shall not affect any regulations issued under this section before the effective date of such termination or any rulemaking proceeding for the issuance of regulations under this section that is pending on such date.

SEC. 11. FEES FOR PATENT SERVICES.

(a) General Patent Services- Subsections (a) and (b) of section 41 of title 35, United States Code, are amended to read as follows:

(a) General Fees- The Director shall charge the following fees:

(1) FILING AND BASIC NATIONAL FEES-

(A) On filing each application for an original patent, except for design, plant, or provisional applications, \$330.

(B) On filing each application for an original design patent, \$220.

(C) On filing each application for an original plant patent, \$220.

(D) On filing each provisional application for an original patent, \$220.

(E) On filing each application for the reissue of a patent, \$330.

(F) The basic national fee for each international application filed under the treaty defined in section 351(a) entering the national stage under section 371, \$330.

(G) In addition, excluding any sequence listing or computer program listing filed in an electronic medium as prescribed by the Director, for any application the specification and drawings of which exceed 100 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium), \$270 for each additional 50 sheets of paper (or equivalent as prescribed by the Director if filed in an electronic medium) or fraction thereof.

(2) EXCESS CLAIMS FEES-

`(A) IN GENERAL- In addition to the fee specified in paragraph (1)--
`(i) on filing or on presentation at any other time, \$220 for each claim in independent form in excess of 3;
`(ii) on filing or on presentation at any other time, \$52 for each claim (whether dependent or independent) in excess of 20; and
`(iii) for each application containing a multiple dependent claim, \$390.

`(B) MULTIPLE DEPENDENT CLAIMS- For the purpose of computing fees under subparagraph (A), a multiple dependent claim referred to in section 112 or any claim depending therefrom shall be considered as separate dependent claims in accordance with the number of claims to which reference is made.

`(C) REFUNDS; ERRORS IN PAYMENT- The Director may by regulation provide for a refund of any part of the fee specified in subparagraph (A) for any claim that is canceled before an examination on the merits, as prescribed by the Director, has been made of the application under section 131. Errors in payment of the additional fees under this paragraph may be rectified in accordance with regulations prescribed by the Director.

`(3) EXAMINATION FEES-

`(A) IN GENERAL-

`(i) For examination of each application for an original patent, except for design, plant, provisional, or international applications, \$220.

`(ii) For examination of each application for an original design patent, \$140.

`(iii) For examination of each application for an original plant patent, \$170.

`(iv) For examination of the national stage of each international application, \$220.

`(v) For examination of each application for the reissue of a patent, \$650.

`(B) APPLICABILITY OF OTHER FEE PROVISIONS- The provisions of paragraphs (3) and (4) of section 111(a) relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in subparagraph (A) with respect to an application filed under section 111(a). The provisions of section 371(d) relating to the payment of the national fee shall apply to the payment of the fee specified in subparagraph (A) with respect to an international application.

`(4) ISSUE FEES-

`(A) For issuing each original patent, except for design or plant patents, \$1,510.

`(B) For issuing each original design patent, \$860.

`(C) For issuing each original plant patent, \$1,190.

`(D) For issuing each reissue patent, \$1,510.

`(5) DISCLAIMER FEE- On filing each disclaimer, \$140.

¶(6) APPEAL FEES-

¶(A) On filing an appeal from the examiner to the Patent Trial and Appeal Board, \$540.

¶(B) In addition, on filing a brief in support of the appeal, \$540, and on requesting an oral hearing in the appeal before the Patent Trial and Appeal Board, \$1,080.

¶(7) REVIVAL FEES- On filing each petition for the revival of an unintentionally abandoned application for a patent, for the unintentionally delayed payment of the fee for issuing each patent, or for an unintentionally delayed response by the patent owner in any reexamination proceeding, \$1,620, unless the petition is filed under section 133 or 151, in which case the fee shall be \$540.

¶(8) EXTENSION FEES- For petitions for 1-month extensions of time to take actions required by the Director in an application--

¶(A) on filing a first petition, \$130;

¶(B) on filing a second petition, \$360; and

¶(C) on filing a third or subsequent petition, \$620.

¶(b) Maintenance Fees-

¶(1) IN GENERAL- The Director shall charge the following fees for maintaining in force all patents based on applications filed on or after December 12, 1980:

¶(A) Three years and 6 months after grant, \$980.

¶(B) Seven years and 6 months after grant, \$2,480.

¶(C) Eleven years and 6 months after grant, \$4,110.

¶(2) GRACE PERIOD; SURCHARGE- Unless payment of the applicable maintenance fee under paragraph (1) is received in the Office on or before the date the fee is due or within a grace period of 6 months thereafter, the patent shall expire as of the end of such grace period. The Director may require the payment of a surcharge as a condition of accepting within such 6-month grace period the payment of an applicable maintenance fee.

¶(3) NO MAINTENANCE FEE FOR DESIGN OR PLANT PATENT- No fee may be established for maintaining a design or plant patent in force.'

(b) Delays in Payment- Subsection (c) of section 41 of title 35, United States Code, is amended--

(1) by striking ¶(c)(1) The Director' and inserting:

¶(c) Delays in Payment of Maintenance Fees-

¶(1) ACCEPTANCE- The Director'; and

(2) by striking ¶(2) A patent' and inserting:

¶(2) EFFECT ON RIGHTS OF OTHERS- A patent'.

(c) Patent Search Fees- Subsection (d) of section 41 of title 35, United States Code, is amended to read as follows:

¶(d) Patent Search and Other Fees-

¶(1) PATENT SEARCH FEES-

¶(A) IN GENERAL- The Director shall charge the fees specified under subparagraph (B) for the search of each application for a patent, except for provisional applications. The Director shall adjust the fees charged under this paragraph to ensure that the fees recover an amount not to exceed the

estimated average cost to the Office of searching applications for patent by Office personnel.

`(B) SPECIFIC FEES- The fees referred to in subparagraph (A) are--

`(i) \$540 for each application for an original patent, except for design, plant, provisional, or international applications;

`(ii) \$100 for each application for an original design patent;

`(iii) \$330 for each application for an original plant patent;

`(iv) \$540 for the national stage of each international application; and

`(v) \$540 for each application for the reissue of a patent.

`(C) APPLICABILITY OF OTHER PROVISIONS- The provisions of paragraphs (3) and (4) of section 111(a) relating to the payment of the fee for filing the application shall apply to the payment of the fee specified in this paragraph with respect to an application filed under section 111(a). The provisions of section 371(d) relating to the payment of the national fee shall apply to the payment of the fee specified in this paragraph with respect to an international application.

`(D) REFUNDS- The Director may by regulation provide for a refund of any part of the fee specified in this paragraph for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under section 131.

`(2) OTHER FEES-

`(A) IN GENERAL- The Director shall establish fees for all other processing, services, or materials relating to patents not specified in this section to recover the estimated average cost to the Office of such processing, services, or materials, except that the Director shall charge the following fees for the following services:

`(i) For recording a document affecting title, \$40 per property.

`(ii) For each photocopy, \$.25 per page.

`(iii) For each black and white copy of a patent, \$3.

`(B) COPIES FOR LIBRARIES- The yearly fee for providing a library specified in section 12 with uncertified printed copies of the specifications and drawings for all patents in that year shall be \$50.'

(d) ~~Reduction in~~ Fees for Small Entities- Subsection (h) of section 41 of title 35, United States Code, is amended to read as follows:

`(h) Fees for Small Entities-

`(1) REDUCTIONS IN FEES- Subject to paragraph (3), fees charged under subsections (a), (b), and (d)(1) shall be reduced by 50 percent with respect to their application to any small business concern as defined under section 3 of the Small Business Act, and to any independent inventor or nonprofit organization as defined in regulations issued by the Director.

`(2) SURCHARGES AND OTHER FEES- With respect to its application to any entity described in paragraph (1), any surcharge or fee charged under subsection (c) or (d) shall not be higher than the surcharge or fee required of any other entity under the same or substantially similar circumstances.

`(3) REDUCTION FOR ELECTRONIC FILING- The fee charged under subsection (a)(1)(A) shall be reduced by 75 percent with respect to its application to any entity to which paragraph (1) applies, if the application is filed by electronic means as prescribed by the Director.'

(e) Technical Amendments- Section 41 of title 35, United States Code, is amended--

(1) in subsection (e), in the first sentence, by striking `The Director' and inserting `Waiver of Fees; Copies Regarding Notice- The Director';

(2) in subsection (f), by striking `The fees' and inserting `Adjustment of Fees- The fees';

(3) by repealing subsection (g); and

(4) in subsection (i)--

(A) by striking `(i)(1) The Director' and inserting the following:

`(i) Electronic Patent and Trademark Data-

`(1) MAINTENANCE OF COLLECTIONS- The Director';

(B) by striking `(2) The Director' and inserting the following:

`(2) AVAILABILITY OF AUTOMATED SEARCH SYSTEMS- The Director';

(C) by striking `(3) The Director' and inserting the following:

`(3) ACCESS FEES- The Director'; and

(D) by striking `(4) The Director' and inserting the following:

`(4) ANNUAL REPORT TO CONGRESS- The Director'.

(f) Adjustment of Trademark Fees- Section 802(a) of division B of the Consolidated Appropriations Act, 2005 (Public Law 108-447) is amended--

(1) in the first sentence, by striking `During fiscal years 2005, 2006, and 2007,,' and inserting `Until such time as the Director sets or adjusts the fees otherwise,,' and

(2) in the second sentence, by striking `During fiscal years 2005, 2006, and 2007, the' and inserting `The'.

(g) Effective Date, Applicability, and Transition Provisions- Section 803(a) of division B of the Consolidated Appropriations Act, 2005 (Public Law 108-447) is amended by striking `and shall apply only with respect to the remaining portion of fiscal year 2005 and fiscal year 2006'.

(h) Prioritized Examination Fee-

(1) IN GENERAL-

(A) FEE-

(i) PRIORITIZED EXAMINATION FEE- A fee of \$4,800 shall be established for filing a request, pursuant to section 2(b)(2)(G) of title 35, United States Code, for prioritized examination of a nonprovisional application for an original utility or plant patent.

(ii) ADDITIONAL FEES- In addition to the prioritized examination fee under clause (i), the fees due on an application for which prioritized examination is being sought are the filing, search, and examination fees (including any applicable excess claims and application size fees), processing fee, and publication fee for that application.

(B) REGULATIONS; LIMITATIONS-

(i) REGULATIONS- The Director may by regulation prescribe conditions for acceptance of a request under subparagraph (A) and a limit on the number of filings for prioritized examination that may be accepted.

(ii) LIMITATION ON CLAIMS- Until regulations are prescribed under clause (i), no application for which prioritized examination is requested may contain or be amended to contain more than 4 independent claims or more than 30 total claims.

(iii) LIMITATION ON TOTAL NUMBER OF REQUESTS- The Director may not accept in any fiscal year more than 10,000 requests for prioritization until regulations are prescribed under this subparagraph setting another limit.

(2) REDUCTION IN FEES FOR SMALL ENTITIES~~Entity Patents-~~ The Director shall reduce fees for providing prioritized examination of nonprovisional applications for original utility and plant ~~patents~~patent applications by 50 percent for small entities that qualify for reduced fees under section 41(h)(1) of title 35, United States Code, ~~so long as the fees of the prioritized examination program are set to recover the estimated cost of the program.~~

(3) DEPOSIT OF FEES- All fees paid under this subsection shall be credited to the United States Patent and Trademark Office Appropriation Account, shall remain available until expended, and may be used only for the purposes specified in section 42(c)(3)(A) of title 35, United States Code.

(4) EFFECTIVE DATE AND TERMINATION-

(A) EFFECTIVE DATE- This subsection shall take effect on the date that is 10 days after the date of the enactment of this Act.

(B) TERMINATION- The fee imposed under paragraph (1)(A)(i), and the reduced fee under paragraph (2), shall terminate on the effective date of the setting or adjustment of the fee under paragraph (1)(A)(i) pursuant to the exercise of the authority under section 10 for the first time with respect to that fee.

(i) Appropriation Account Transition Fees-

(1) SURCHARGE-

(A) IN GENERAL- There shall be a surcharge of 15 percent, rounded by standard arithmetic rules, on all fees charged or authorized by subsections (a), (b), and (d)(1) of section 41, and section 132(b), of title 35, United States Code. Any surcharge imposed under this subsection is, and shall be construed to be, separate from and in addition to any other surcharge imposed under this Act or any other provision of law.

(B) DEPOSIT OF AMOUNTS- Amounts collected pursuant to the surcharge imposed under subparagraph (A) shall be credited to the United States Patent and Trademark Appropriation Account, shall remain available until expended, and may be used only for the purposes specified in section 42(c)(3)(A) of title 35, United States Code.

(2) EFFECTIVE DATE AND TERMINATION OF SURCHARGE- The surcharge provided for in paragraph (1)--

(A) shall take effect on the date that is 10 days after the date of the enactment of this Act; and
(B) shall terminate, with respect to a fee to which paragraph (1)(A) applies, on the effective date of the setting or adjustment of that fee pursuant to the exercise of the authority under section 10 for the first time with respect to that fee.

(j) Effective Date- Except as otherwise provided in this section, this section and subsection (h), the amendments made by provisions of this section shall take effect on upon the date of the enactment of this Act.

SEC. 1210. SUPPLEMENTAL EXAMINATION.

(a) In General- Chapter 25 of title 35, United States Code, is amended by adding at the end the following:

Sec. 257. Supplemental examinations to consider, reconsider, or correct information

(a) Request for Supplemental Examination~~(a) In General~~- A patent owner may request supplemental examination of a patent in the Office to consider, reconsider, or correct information believed to be relevant to the patent, in accordance with such requirements as the Director may establish. Within 3 months ~~after~~ the date a request for supplemental examination meeting the requirements of this section is received, the Director shall conduct the supplemental examination and shall conclude such examination by issuing a certificate indicating whether the information presented in the request raises a substantial new question of patentability.

(b) Reexamination Ordered- If the certificate issued under subsection (a) indicates that a substantial new question of patentability is raised by 1 or more items of information in the request, the Director shall order reexamination of the patent. The reexamination shall be conducted according to procedures established by chapter 30, except that the patent owner shall not have the right to file a statement pursuant to section 304. During the reexamination, the Director shall address each substantial new question of patentability identified during the supplemental examination, notwithstanding the limitations in chapter 30~~therein~~ relating to patents and printed publication or any other provision of such chapter ~~30~~.

(c) Effect-

(1) IN GENERAL- A patent shall not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent. The making of a request under subsection (a), or the absence thereof, shall not be relevant to enforceability of the patent under section 282.

(2) EXCEPTIONS-

(A) PRIOR ALLEGATIONS- ~~Paragraph (1)~~This subsection shall not apply to an allegation pled with particularity in a civil action, or set forth with particularity in a notice received by the patent owner under section 505(j)(2)(B)(iv)(II) of the Federal Food, Drug, and Cosmetic Act (21

U.S.C. 355(j)(2)(B)(iv)(II)), before the date of a supplemental-
examination request under subsection (a) to consider, reconsider, or
correct information forming the basis for the allegation.

`(B) PATENT ENFORCEMENT ACTIONS- In an action brought under
section 337(a) of the Tariff Act of 1930 (19 U.S.C. 1337(a)), or section
281 of this title, ~~paragraph (1) this subsection~~ shall not apply to any
defense raised in the action that is based upon information that was
considered, reconsidered, or corrected pursuant to a supplemental-
examination request under subsection (a).) unless the supplemental
examination, and any reexamination ordered pursuant to the request, are
concluded before the date on which the action is brought.

`(d) Fees and Regulations-

~~“(1) FEES-~~ The Director shall, by regulation, establish fees for the submission of
a request for supplemental examination of a patent, and to consider each item of
information submitted in the request. If reexamination is ordered ~~underpursuant to~~
subsection (ba), fees established and applicable to ex parte reexamination
proceedings under chapter 30 shall be paid, in addition to fees applicable to
supplemental examination.

~~“(2) REGULATIONS-~~ The Director shall ~~issuepromulgate~~ regulations governing the
form, content, and other requirements of requests for supplemental examination, and
establishing procedures for ~~reviewingconducting review of~~ information submitted in such
requests.

~~“(e) Fraud-~~ If the Director becomes aware, during the course of a supplemental
examination or reexamination proceeding ordered under this section, that a material fraud
on the Office may have been committed in connection with the patent that is the subject
of the supplemental examination, then in addition to any other actions the Director is
authorized to take, including the cancellation of any claims found to be invalid under
section 307 as a result of a reexamination ordered under this section, the Director shall
also refer the matter to the Attorney General for such further action as the Attorney
General may deem appropriate. Any such referral shall be treated as confidential, shall
not be included in the file of the patent, and shall not be disclosed to the public unless the
United States charges a person with a criminal offense in connection with such referral.

~~“(f)(e)~~ Rule of Construction- Nothing in this section shall be construed--

`(1) to preclude the imposition of sanctions based upon criminal or antitrust laws
(including section 1001(a) of title 18, the first section of the Clayton Act, and
section 5 of the Federal Trade Commission Act to the extent that section relates to
unfair methods of competition);

`(2) to limit the authority of the Director to investigate issues of possible
misconduct and impose sanctions for misconduct in connection with matters or
proceedings before the Office; or

`(3) to limit the authority of the Director to ~~issuepromulgate~~ regulations under
chapter 3 relating to sanctions for misconduct by representatives practicing before
the Office.'.

(b) Conforming Amendment- The table of sections for chapter 25 of title 35, United
States Code, is amended by adding at the end the following new item:

“257. Supplemental examinations to consider, reconsider, or correct information.’.

(c) Effective Date- ~~The amendments made by this~~This section shall take effect upon the expiration of the 1-~~1~~-year period beginning on ~~after~~ the date of the enactment of this Act and shall apply to ~~any patent~~patents issued before, on, or after that effective date.

SEC. 11. RESIDENCY OF FEDERAL CIRCUIT JUDGES.

- (a) In General- Section 44(c) of title 28, United States Code, is amended--
- (1) by repealing the second sentence; and
 - (2) in the third sentence, by striking `state' and inserting `State'.
- (b) No Provision of Facilities Authorized- The repeal made by the amendment in subsection (a)(1) shall not be construed to authorize the provision of any court facilities or administrative support services outside of the District of Columbia.
- (c) Effective Date- This section shall take effect on the date of enactment of this Act.

SEC. 12. MICRO ENTITY DEFINED.

Chapter 11 of title 35, United States Code, is amended by adding at the end the following new section:

~~Sec. 123. Micro entity defined~~

- ~~(a) In General- For purposes of this title, the term `micro entity' means an applicant who makes a certification that the applicant--~~
- ~~(1) qualifies as a small entity, as defined in regulations issued by the Director;~~
 - ~~(2) has not been named as an inventor on more than 4 previously filed patent applications, other than applications filed in another country, provisional applications under section 111(b), or international applications filed under the treaty defined in section 351(a) for which the basic national fee under section 41(a) was not paid;~~
 - ~~(3) did not, in the calendar year preceding the calendar year in which the applicable fee is being paid, have a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986, exceeding 3 times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census; and~~
 - ~~(4) has not assigned, granted, or conveyed, and is not under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the application concerned to an entity that, in the calendar year preceding the calendar year in which the applicable fee is being paid, had a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986, exceeding 3 times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census.~~
- ~~(2) has not been named on 5 or more previously filed patent applications, not including applications filed in another country, provisional applications under section 111(b), or international applications filed under the treaty defined in section 351(a) for which the basic national fee under section 41(a) was not paid;~~

~~“(3) did not in the prior calendar year have a gross income, as defined in section 61(a) of the Internal Revenue Code (26 U.S.C. 61(a)), exceeding 3 times the most recently reported median household income, as reported by the Bureau of Census; and~~

~~“(4) has not assigned, granted, conveyed, and is not under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the particular application to an entity that had a gross income, as defined in section 61(a) of the Internal Revenue Code (26 U.S.C. 61(a)), exceeding 3 times the most recently reported median household income, as reported by the Bureau of the Census, in the calendar year preceding the calendar year in which the fee is being paid, other than an entity of higher education where the applicant is not an employee, a relative of an employee, or have any affiliation with the entity of higher education.~~

“(b) Applications Resulting From Prior Employment- An applicant is not considered to be named on a previously filed application for purposes of subsection (a)(2) if the applicant has assigned, or is under an obligation by contract or law to assign, all ownership rights in the application as the result of the applicant's previous employment.

~~“(c) Foreign Currency Exchange Rate- If an applicant's or entity's gross income in the preceding year is not in United States dollars, the average currency exchange rate, as reported by the Internal Revenue Service, during the preceding year shall be used to determine whether the applicant's or entity's gross income exceeds the threshold specified in paragraphs (3) or (4) of subsection (a).~~

~~“(d) State Institutions of Higher Education-~~

~~“(1) IN GENERAL- For purposes of this section, a micro entity shall include an applicant who certifies that-~~

~~“(A) the applicant's employer, from which the applicant obtains the majority of the applicant's income, is a State public institution of higher education, as defined in section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002); or~~

~~“(B) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the particular application to such State public institution.~~

~~“(2) Director'S AUTHORITY- The Director may, in the Director's discretion, impose income limits, annual filing limits, or other limits on who may qualify as a micro entity pursuant to this subsection if the Director determines that such additional limits are reasonably necessary to avoid an undue impact on other patent applicants or owners or are otherwise reasonably necessary and appropriate. At least 3 months before any limits proposed to be imposed pursuant to this paragraph shall take effect, the Director shall inform the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate of any such proposed limits.’~~

SEC. 13. FUNDING AGREEMENTS.

(a) In General- Section 202(c)(7)(E)(i) of title 35, United States Code, is amended--

- (1) by striking `75 percent' and inserting `15 percent'; ~~and~~
- (2) by striking `25 percent' and inserting `85 percent'; ~~and~~
- (3) by striking `as described above in this clause (D);' and inserting `described above in this clause;'

(b) Effective Date- The amendments made by this section shall take effect on the date of the enactment of this Act and shall apply to any patent~~patents~~ issued before, on, or after that date.

SEC. 14. TAX STRATEGIES DEEMED WITHIN THE PRIOR ART.

(a) In General- For purposes of evaluating an invention under section 102 or 103 of title 35, United States Code, any strategy for reducing, avoiding, or deferring tax liability, whether known or unknown at the time of the invention or application for patent, shall be deemed insufficient to differentiate a claimed invention from the prior art.

(b) Definition- For purposes of this section, the term `tax liability' refers to any liability for a tax under any Federal, State, or local law, or the law of any foreign jurisdiction, including any statute, rule, regulation, or ordinance that levies, imposes, or assesses such tax liability.

~~(c) ExclusionsRule of Construction- Nothing in this section shall be construed to imply that other business methods are patentable or that other business method patents are valid.~~

~~(d) Effective Date; Applicability- This section shall take effect on the date of enactment of this Act and shall apply to any patent application pending and any patent issued on or after that date.~~

~~(e) Exclusion- This section does not apply to that part of an invention that--~~

~~(1) is a method, apparatus, technology, computer program product, or system, that is used solely for preparing a tax or information return or other tax filing, including one that records, transmits, transfers, or organizes data related to such filing; or-~~

~~(2) is a method, apparatus, technology, computer program product, or system used solely for financial management, to the extent that it is severable from any tax strategy or does not limit the use of any tax strategy by any taxpayer or tax advisor.~~

~~(d) Rule of Construction- Nothing in this section shall be construed to imply that other business methods are patentable or that other business method patents are valid.~~

~~(e) Effective Date; Applicability- This section shall take effect on the date of the enactment of this Act and shall apply to any patent application that is pending on, or filed on or after, that date, and to any patent that is issued on or after that date.~~

SEC. 15. BEST MODE REQUIREMENT.

(a) In General- Section 282 of title 35, United ~~States~~State Code, is amended in ~~the~~its second undesignated paragraph by striking paragraph (3) and inserting the following:

~~(3) Invalidation of the patent or any claim in suit for failure to comply with--~~

~~(A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or~~

(B) any requirement of section 251.'

(b) Conforming Amendment- Sections 119(e)(1) and 120 of title 35, United States Code, are each amended by striking 'the first paragraph of section 112 of this title' and inserting 'section 112(a) (other than the requirement to disclose the best mode).'

(c) Effective Date- The amendments made by this section shall take effect upon the date of the enactment of this Act and shall apply to proceedings commenced on or after that date.

SEC. 16. MARKING.

(a) Virtual Marking-

(1) IN GENERAL- Section 287(a) of title 35, United States Code, is amended by striking 'or when,' and inserting 'or by fixing thereon the word 'patent' or the abbreviation 'pat.' together with an address of a posting on the Internet, accessible to the public without charge for accessing the address, that associates the patented article with the number of the patent, or when,'

(2) EFFECTIVE DATE- The amendment made by this subsection shall apply to any case that is pending on, or commenced on or after, the date of the enactment of this Act.

(3) REPORT- Not later than the date that is 3 years after the date of the enactment of this Act, the Director shall submit a report to Congress that provides--

(A) an analysis of the effectiveness of 'virtual marking', as provided in the amendment made by paragraph (1) of this subsection, as an alternative to the physical marking of articles;

(B) an analysis of whether such virtual marking has limited or improved the ability of the general public to access information about patents;

(C) an analysis of the legal issues, if any, that arise from such virtual marking; and

(D) an analysis of the deficiencies, if any, of such virtual marking.

(b) False Marking-

(1) CIVIL PENALTY- Section 292(a) of title 35, United States Code, is amended by adding at the end the following: 'Only the United States may sue for the penalty authorized by this subsection.'

(2) CIVIL ACTION FOR DAMAGES- Subsection (b) of section 292 of title 35, United States Code, is amended to read as follows:

'(b) A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.'

(3) EXPIRED PATENTS- Section 292 of title 35, United States Code, is amended by adding at the end the following:

'(c) The marking of a product, in a manner described in subsection (a), with matter relating to a patent that covered that product but has expired is not a violation of this section.'

(4) EFFECTIVE DATE- The amendments made by this subsection shall apply to all cases, without exception, that are pending on, or commenced on or after, the date of the enactment of this Act.

SEC. 17. ADVICE OF COUNSEL.

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

Sec. 298. Advice of counsel

'The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.'

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

'298. Advice of counsel.'

SEC. 18. TRANSITIONAL PROGRAM FOR COVERED BUSINESS METHOD PATENTS.

(a) Transitional Program-

(1) ESTABLISHMENT- Not later than the date that is 1 year after the date of the enactment of this Act, the Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35, United States Code, subject to the following:

(A) Section 321(c) of title 35, United States Code, and subsections (b), (e)(2), and (f) of section 325 of such title shall not apply to a transitional proceeding.

(B) A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent.

(C) A petitioner in a transitional proceeding who challenges the validity of 1 or more claims in a covered business method patent on a ground raised under section 102 or 103 of title 35, United States Code, as in effect on the day before the effective date set forth in section 3(n)(1), may support such ground only on the basis of--

(i) prior art that is described by section 102(a) of such title of such title (as in effect on the day before such effective date); or

(ii) prior art that--

(I) discloses the invention more than 1 year before the date of the application for patent in the United States; and
(II) would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in

section 3(n)(1) if the disclosure had been made by another before the invention thereof by the applicant for patent.

(D) The petitioner in a transitional proceeding that results in a final written decision under section 328(a) of title 35, United States Code, with respect to a claim in a covered business method patent, or the petitioner's real party in interest, may not assert, either in a civil action arising in whole or in part under section 1338 of title 28, United States Code, or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), that the claim is invalid on any ground that the petitioner raised during that transitional proceeding.

(E) The Director may institute a transitional proceeding only for a patent that is a covered business method patent.

(2) EFFECTIVE DATE- The regulations issued under paragraph (1) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any covered business method patent issued before, on, or after that effective date, except that the regulations shall not apply to a patent described in section 6(f)(2)(A) of this Act during the period in which a petition for post-grant review of that patent would satisfy the requirements of section 321(c) of title 35, United States Code.

(3) SUNSET-

(A) IN GENERAL- This subsection, and the regulations issued under this subsection, are repealed effective upon the expiration of the 8-year period beginning on the date that the regulations issued under to paragraph (1) take effect.

(B) APPLICABILITY- Notwithstanding subparagraph (A), this subsection and the regulations issued under this subsection shall continue to apply, after the date of the repeal under subparagraph (A), to any petition for a transitional proceeding that is filed before the date of such repeal.

(b) Request for Stay-

(1) IN GENERAL- If a party seeks a stay of a civil action alleging infringement of a patent under section 281 of title 35, United States Code, relating to a transitional proceeding for that patent, the court shall decide whether to enter a stay based on--

(A) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;

(B) whether discovery is complete and whether a trial date has been set;

(C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and

(D) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.

(2) REVIEW- A party may take an immediate interlocutory appeal from a district court's decision under paragraph (1). The United States Court of Appeals for the Federal Circuit shall review the district court's decision to ensure consistent application of established precedent, and such review may be de novo.

(c) ATM Exemption for Venue Purposes- In an action for infringement under section 281 of title 35, United States Code, of a covered business method patent, an automated teller machine shall not be deemed to be a regular and established place of business for purposes of section 1400(b) of title 28, United States Code.

(d) Definition-

(1) IN GENERAL- For purposes of this section, the term `covered business method patent' means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

(2) REGULATIONS- To assist in implementing the transitional proceeding authorized by this subsection, the Director shall issue regulations for determining whether a patent is for a technological invention.

(e) Rule of Construction- Nothing in this section shall be construed as amending or interpreting categories of patent-eligible subject matter set forth under section 101 of title 35, United States Code.

SEC. 19. JURISDICTION AND PROCEDURAL MATTERS.

(a) State Court Jurisdiction- Section 1338(a) of title 28, United States Code, is amended by striking the second sentence and inserting the following: `No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights. For purposes of this subsection, the term `State' includes any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands.'

(b) Court of Appeals for the Federal Circuit- Section 1295(a)(1) of title 28, United States Code, is amended to read as follows:

(c) Removal-

(1) IN GENERAL- Chapter 89 of title 28, United States Code, is amended by adding at the end the following new section:`

Sec. 1454. Patent, plant variety protection, and copyright cases

`(a) In General- A civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights may be removed to the district court of the United States for the district and division embracing the place where the action is pending.

`(b) Special Rules- The removal of an action under this section shall be made in accordance with section 1446, except that if the removal is based solely on this section--

`(1) the action may be removed by any party; and

`(2) the time limitations contained in section 1446(b) may be extended at any time for cause shown.

`(c) Clarification of Jurisdiction in Certain Cases- The court to which a civil action is removed under this section is not precluded from hearing and determining any claim in

the civil action because the State court from which the civil action is removed did not have jurisdiction over that claim.

`(d) Remand- If a civil action is removed solely under this section, the district court--
`(1) shall remand all claims that are neither a basis for removal under subsection (a) nor within the original or supplemental jurisdiction of the district court under any Act of Congress; and
`(2) may, under the circumstances specified in section 1367(c), remand any claims within the supplemental jurisdiction of the district court under section 1367.'

(2) CONFORMING AMENDMENT- The table of sections for chapter 89 of title 28, United States Code, is amended by adding at the end the following new item:

`1454. Patent, plant variety protection, and copyright cases.'

(d) Procedural Matters in Patent Cases-

(1) JOINDER OF PARTIES AND STAY OF ACTIONS- Chapter 29 of title 35, United States Code, as amended by this Act, is further amended by adding at the end the following new section:

Sec. 299. Joinder of parties

`(a) Joinder of Accused Infringers- With respect to any civil action arising under any Act of Congress relating to patents, other than an action or trial in which an act of infringement under section 271(e)(2) has been pled, parties that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, or counterclaim defendants only if--

`(1) any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and

`(2) questions of fact common to all defendants or counterclaim defendants will arise in the action.

`(b) Allegations Insufficient for Joinder- For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit.

`(c) Waiver- A party that is an accused infringer may waive the limitations set forth in this section with respect to that party.'

(2) CONFORMING AMENDMENT- The table of sections for chapter 29 of title 35, United States Code, as amended by this Act, is further amended by adding at the end the following new item:

`299. Joinder of parties.'

(e) Effective Date- The amendments made by this section shall apply to any civil action commenced on or after the date of the enactment of this Act.

SEC. 20. TECHNICAL AMENDMENTS.

- (a) Joint Inventions- Section 116 of title 35, United States Code, is amended--
- (1) in the first undesignated paragraph, by striking `When' and inserting `(a) Joint Inventions- When';
 - (2) in the second undesignated paragraph, by striking `If a joint inventor' and inserting `(b) Omitted Inventor- If a joint inventor'; and
 - (3) in the third undesignated paragraph--
 - (A) by striking `Whenever' and inserting `(c) Correction of Errors in Application- Whenever'; and
 - (B) by striking `and such error arose without any deceptive ~~intention~~ on his part,'.
- (b) Filing of Application in Foreign Country- Section 184 of title 35, United States Code, is amended--
- (1) in the first undesignated paragraph--
 - (A) by striking `Except when' and inserting `(a) Filing in Foreign Country- Except when'; and
 - (B) by striking `and without deceptive intent';
 - (2) in the second undesignated paragraph, by striking `The term' and inserting `(b) Application- The term'; and
 - (3) in the third undesignated paragraph, by striking `The scope' and inserting `(c) Subsequent Modifications, Amendments, and Supplements- The scope'.
- (c) Filing Without a License- Section 185 of title 35, United States Code, is amended by striking `and without deceptive intent'.
- (d) Reissue of Defective Patents- Section 251 of title 35, United States Code, is amended--
- (1) in the first undesignated paragraph--
 - (A) by striking `Whenever' and inserting `(a) In General- Whenever'; and
 - (B) by striking `without any deceptive intention';
 - (2) in the second undesignated paragraph, by striking `The Director' and inserting `(b) Multiple Reissued Patents- The Director';
 - (3) in the third undesignated paragraph, by striking `The provisions' and inserting `(c) Applicability of This Title- The provisions'; and
 - (4) in the last undesignated paragraph, by striking `No reissued patent' and inserting `(d) Reissue Patent Enlarging Scope of Claims- No reissued patent'.
- (e) Effect of Reissue- Section 253 of title 35, United States Code, is amended--
- (1) in the first undesignated paragraph, by striking `Whenever, without any deceptive ~~intention, intention~~' and inserting `(a) In General- Whenever'; and
 - (2) in the second undesignated paragraph, by striking `~~In~~ like manner' and inserting `(b) Additional Disclaimer or Dedication- In the manner set forth in subsection (a),'.
- (f) Correction of Named Inventor- Section 256 of title 35, United States Code, is amended--
- (1) in the first undesignated paragraph--
 - (A) by striking `Whenever' and inserting `(a) Correction- Whenever'; and
 - (B) by striking `and such error arose without any deceptive intention on his part'; and

- (2) in the second undesigned paragraph, by striking 'The error' and inserting '(b) Patent Valid if Error Corrected- The error'.
- (g) Presumption of Validity- Section 282 of title 35, United States Code, is amended--
- (1) in the first undesignated paragraph--
 - (A) by striking 'A patent' and inserting '(a) In General- A patent'; and
 - (B) by striking the third sentence;
 - (2) in the second undesignated paragraph--

~~(A);~~ by striking 'The following' and inserting '(b) Defenses- The following';

(B) in paragraph (1), by striking 'unenforceability,' and inserting 'unenforceability.'; and

(C) in paragraph (2), by striking 'patentability,' and inserting 'patentability.'; and
 - (3) in the third undesignated paragraph--

~~(A);~~ by striking 'In actions involving the validity or infringement of a patent~~actions~~' and inserting '(c) Notice of Actions; Actions During Extension of Patent Term- In an action involving the validity or infringement of a patent;' and

(B) by striking 'Claims Court' and inserting 'Court of Federal Claims'actions'.
- (h) Action for Infringement- Section 288 of title 35, United States Code, is amended by striking ', without deceptive intention,'.
- (i) Reviser's Notes-
- (1) Section 3(e)(2) of title 35, United States Code, is amended by striking 'this Act,' and inserting 'that Act,'.
 - (2) Section 202 of title 35, United States Code, is amended--
 - (A) in subsection (b)(3), by striking 'the section 203(b)' and inserting 'section 203(b)'; and
 - (B) in subsection (c)(7)~~(i)~~--

~~(i) in subparagraph (D),~~ by striking 'except where it proves' and all that follows through small business firms;~~;~~ and' and inserting: 'except where it is determined to be infeasible following a reasonable inquiry, a preference in the licensing of subject inventions shall be given to small business firms; and' ~~;~~ and

~~(ii) in subparagraph (E)(i), by striking 'as described above in this clause (D);' and inserting 'described above in this clause;'~~
 - (3) Section 209(d)(1) of title 35, United States Code, is amended by striking 'nontransferrable' and inserting 'nontransferable'.
 - (4) Section 287(c)(2)(G) of title 35, United States Code, is amended by striking 'any state' and inserting 'any State'.
 - (5) Section 371(b) of title 35, United States Code, is amended by striking 'of the treaty' and inserting 'of the treaty.'.
- (j) Unnecessary References-
- (1) IN GENERAL- Title 35, United States Code, is amended by striking 'of this title' each place that term appears.
 - (2) EXCEPTION- The amendment made by paragraph (1) shall not apply to the use of such term in the following sections of title 35, United States Code:

- (A) Section 1(c).
- (B) Section 101.
- (C) Subsections (a) and (b) of section 105.
- (D) The first instance of the use of such term in section 111(b)(8).
- (E) Section ~~161.157(a)~~.
- (F) Section ~~164161~~.
- (G) Section ~~171464~~.
- (H) Section ~~171~~.
- ~~(I) Section~~ 251(c), as so designated by this section.
- ~~(J)~~ Section 261.
- ~~(JK)~~ Subsections (g) and (h) of section 271.
- ~~(KL)~~ Section 287(b)(1).
- ~~(LM)~~ Section 289.
- ~~(MN)~~ The first instance of the use of such term in section 375(a).

(k) Additional Technical Amendments- Sections 155 and 155A of title 35, United States Code, and the items relating to those sections in the table of sections for chapter 14 of such title, are repealed.

(l)(k) Effective Date- The amendments made by this section shall take effect upon the expiration of the 1-1-year period beginning on~~after~~ the date of the enactment of this Act and shall apply to proceedings commenced on or after that effective date.

SEC. 17. CLARIFICATION OF JURISDICTION.

~~(a) Short Title- This section may be cited as the 'Intellectual Property Jurisdiction Clarification Act of 2011'.~~

~~(b) State Court Jurisdiction- Section 1338(a) of title 28, United States Code, is amended by striking the second sentence and inserting the following: 'No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights.'~~

~~(c) Court of Appeals for the Federal Circuit- Section 1295(a)(1) of title 28, United States Code, is amended to read as follows:~~

~~'(1) of an appeal from a final decision of a district court of the United States, the District Court of Guam, the District Court of the Virgin Islands, or the District Court of the Northern Mariana Islands, in any civil action arising under, or in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents or plant variety protection;'~~

~~(d) Removal-~~

~~'(a) In General- A civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights may be removed to the district court of the United States for the district and division embracing the place where such action is pending.~~

~~(b) Special Rules—The removal of an action under this section shall be made in accordance with section 1446 of this chapter, except that if the removal is based solely on this section—~~

~~(c) Derivative Jurisdiction Not Required—The court to which a civil action is removed under this section is not precluded from hearing and determining any claim in such civil action because the State court from which such civil action is removed did not have jurisdiction over that claim.~~

~~(e) Transfer by Court of Appeals for the Federal Circuit—~~

~~(1) IN GENERAL—Chapter 99 of title 28, United States Code, is amended by adding at the end the following new section:~~

~~Sec. 1632. Transfer by the Court of Appeals for the Federal Circuit~~

~~When a case is appealed to the Court of Appeals for the Federal Circuit under section 1295(a)(1), and no claim for relief arising under any Act of Congress relating to patents or plant variety protection is the subject of the appeal by any party, the Court of Appeals for the Federal Circuit shall transfer the appeal to the court of appeals for the regional circuit embracing the district from which the appeal has been taken.:~~

~~(2) CONFORMING AMENDMENT—The table of sections for chapter 99 of title 28, United States Code, is amended by adding at the end the following new item:~~

~~1632. Transfer by the Court of Appeals for the Federal Circuit.:~~

~~(f) Effective Date—The amendments made by this section shall apply to any civil action commenced on or after the date of the enactment of this Act.~~

~~SEC. 18. TRANSITIONAL PROGRAM FOR COVERED BUSINESS METHOD PATENTS.~~

~~(a) References—Except as otherwise expressly provided, wherever in this section language is expressed in terms of a section or chapter, the reference shall be considered to be made to that section or chapter in title 35, United States Code.~~

~~(b) Transitional Program—~~

~~(1) ESTABLISHMENT—Not later than 1 year after the date of enactment of this Act, the Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32, subject to the following exceptions and qualifications:~~

~~(A) Section 321(e) and subsections (e)(2), (f), and (g) of section 325 shall not apply to a transitional proceeding.~~

~~(B) A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or his real party in interest has been sued for infringement of the patent or has been charged with infringement under that patent.~~

~~(C) A petitioner in a transitional proceeding who challenges the validity of 1 or more claims in a covered business method patent on a ground raised~~

~~under section 102 or 103 as in effect on the day prior to the date of enactment of this Act may support such ground only on the basis of—~~

~~(i) prior art that is described by section 102(a) (as in effect on the day prior to the date of enactment of this Act); or~~

~~(ii) prior art that—~~

~~(I) discloses the invention more than 1 year prior to the date of the application for patent in the United States; and~~

~~(II) would be described by section 102(a) (as in effect on the day prior to the date of enactment of this Act) if the disclosure had been made by another before the invention thereof by the applicant for patent.~~

~~(D) The petitioner in a transitional proceeding, or his real party in interest, may not assert either in a civil action arising in whole or in part under section 1338 of title 28, United States Code, or in a proceeding before the International Trade Commission that a claim in a patent is invalid on any ground that the petitioner raised during a transitional proceeding that resulted in a final written decision.~~

~~(E) The Director may institute a transitional proceeding only for a patent that is a covered business method patent.~~

~~(2) EFFECTIVE DATE—The regulations issued pursuant to paragraph (1) shall take effect on the date that is 1 year after the date of enactment of this Act and shall apply to all covered business method patents issued before, on, or after such date of enactment, except that the regulations shall not apply to a patent described in the first sentence of section 5(f)(2) of this Act during the period that a petition for post-grant review of that patent would satisfy the requirements of section 321(e).~~

~~(3) SUNSET—~~

~~(A) IN GENERAL—This subsection, and the regulations issued pursuant to this subsection, are repealed effective on the date that is 4 years after the date that the regulations issued pursuant to paragraph (1) take effect.~~

~~(B) APPLICABILITY—Notwithstanding subparagraph (A), this subsection and the regulations implemented pursuant to this subsection shall continue to apply to any petition for a transitional proceeding that is filed prior to the date that this subsection is repealed pursuant to subparagraph (A).~~

~~(e) Request for Stay—~~

~~(1) IN GENERAL—If a party seeks a stay of a civil action alleging infringement of a patent under section 281 in relation to a transitional proceeding for that patent, the court shall decide whether to enter a stay based on—~~

~~**21(d) Definition—**For purposes of this section, the term ‘covered business method patent’ means a patent that claims a method or corresponding apparatus for performing data processing operations utilized in the practice, administration, or management of a financial product or service, except that the term shall not include patents for technological inventions. Solely for the purpose of implementing the transitional proceeding authorized by this subsection, the Director shall prescribe regulations for determining whether a patent is for a technological invention.~~

~~(e) Rule of Construction—Nothing in this section shall be construed as amending or interpreting categories of patent eligible subject matter set forth under section 101.~~

SEC. 19. TRAVEL EXPENSES AND PAYMENT OF ADMINISTRATIVE JUDGES.

(a) Authority To Cover Certain Travel Related Expenses- Section 2(b)(11) of title 35, United States Code, is amended by inserting ` , and the Office is authorized to expend funds to cover the subsistence expenses and travel-related expenses, including per diem, lodging costs, and transportation costs, of ~~persons non federal employees~~ attending such ~~programs who are not Federal employees~~' after `world'.

(b) Payment of Administrative Judges- Section 3(b) of title 35, United States Code, is amended by adding at the end the following:

~~(6) ADMINISTRATIVE PATENT JUDGES AND ADMINISTRATIVE TRADEMARK JUDGES-~~ The Director ~~may has the authority to~~ fix the rate of basic pay for the administrative patent judges appointed pursuant to section 6 ~~of this title~~ and the administrative trademark judges appointed pursuant to section 17 of the Trademark Act of 1946 (15 U.S.C. 1067) at not greater than the rate of basic pay payable for ~~level~~ Level III of the Executive Schedule ~~under section 5314 of title 5~~. The payment of a rate of basic pay under this paragraph shall not be subject to the pay limitation ~~under of~~ section 5306(e) or 5373 of title 5.!

SEC. 2220. PATENT AND TRADEMARK OFFICE FUNDING.

(a) ~~In General~~ Definitions—~~In this section, the following definitions shall apply:~~

~~(1) DIRECTOR—The term `Director' means the Director of the United States Patent and Trademark Office.~~

~~(2) FUND—The term `Fund' means the public enterprise revolving fund established under subsection (c).~~

~~(3) OFFICE—The term `Office' means the United States Patent and Trademark Office.~~

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

~~(5) UNDER SECRETARY—The term `Under Secretary' means the Under Secretary of Commerce for Intellectual Property.~~

~~(b) Funding—~~

~~(1) IN GENERAL—~~ Section 42(c) of title 35, United States Code, is amended--

~~(1)A) in subsection (b), by striking `(c) `Patent and Trademark Office Appropriation Account' and inserting `(c)(1) `United States Patent and Trademark Office Public Enterprise Fund'; and~~

~~(2) (B) in subsection (c), in the first sentence,~~

~~(i) by striking `shall be available' To the extent' and all that follows through `fees' and inserting `shall, subject to Fees'; and~~

(ii) by striking 'shall be collected by and shall be available to the Director' and inserting 'shall be collected by the Director and shall be available until expended'.

(2) ~~EFFECTIVE DATE~~—The amendments made by paragraph (3), be available'; 1) shall take effect on the later of—

(3) by striking A) October 1, 2011; or

(B) the second sentence; and first day of the first fiscal year that begins after the date of the enactment of this Act.

(4) by adding at the end the following:

~~(2)(e) USPTO Revolving Fund—~~

~~(1) ESTABLISHMENT— There is established in the Treasury of the United States a Patent and Trademark Fee Reserve Fund. If fee collections by the revolving fund to be known as the 'United States Patent and Trademark Office Public Enterprise Fund'. Any amounts in the Fund shall be available for a fiscal year exceed the amount appropriated to the Office for that use by the Director without fiscal year, fees collected in excess of the appropriated amount limitation.~~

~~(2) DERIVATION OF RESOURCES— There shall be deposited in the Patent and Trademark Fee Reserve Fund. To the extent and in the amounts provided in appropriations Acts, amounts in the Fund shall be made available until expended only for into the Fund on or after the effective date of subsection (b)(1)—~~

~~(A) any fees collected under sections 41, 42, and 376 of title 35, United States Code, provided that notwithstanding any other provision of law, if such fees are collected by, and payable to, the Director, the Director shall transfer such amounts to the Fund, provided, however, that no funds collected pursuant to section 9(h) of this Act or section 1(a)(2) of Public Law 111-45 shall be deposited in the Fund; and~~

~~(B) any fees collected under section 31 of the Trademark Act of 1946 (15 U.S.C. 1113).~~

~~(3) EXPENSES— Amounts deposited into the Fund under paragraph (2) shall be available, without fiscal year limitation, to cover—~~

~~(A) all expenses to the extent consistent with the limitation on the use of fees set forth in section 42(c) of title 35, United States Code, including all administrative and operating expenses, determined in the discretion of the Under Secretary to be ordinary and reasonable, incurred by the Under Secretary and the Director for the continued operation of all services, programs, activities, and duties of the Office relating to patents and trademarks, as such services, programs, activities, and duties are described under—~~

~~(i) title 35, United States Code; and~~

~~(ii) the Trademark Act of 1946; and~~

~~(B) all expenses incurred pursuant to any obligation, representation, or other commitment of the Office.~~

~~(d) Annual Report— Not later than 60 days after the end of each fiscal year, the Under Secretary and the Director shall submit a report to Congress which shall—~~

~~(1) summarize the operations of the Office for the preceding fiscal year, including financial details and staff levels broken down by each major activity of the Office;~~

- ~~(2) detail the operating plan of the Office, including specific expense and staff needs for the upcoming fiscal year;~~
- ~~(3) describe the long term modernization plans of the Office;~~
- ~~(4) set forth details of any progress towards such modernization plans made in the previous fiscal year; and~~
- ~~(5) include the results of the most recent audit carried out under subsection (f).~~

~~(e) Annual Spending Plan-~~

~~(1) IN GENERAL—Not later than 30 days after the beginning of each fiscal year, the Director shall notify the Committees on Appropriations of both Houses of Congress of the plan for the obligation and expenditure by the Office of the total amount of the funds for that fiscal year in accordance with paragraph (3) section 605 of the Science, State, Justice, Commerce, and Related Agencies Appropriations Act, 2006 (Public Law 109-108; 119 Stat. 2334).~~

~~“(3)(A) Any fees that are collected under sections 41, 42, and 376, and any surcharges on such fees, may only be used for expenses of the Office relating to the processing of patent applications and for other activities, services, and materials relating to patents and to cover a share of the administrative costs of the Office relating to patents.~~

~~“(B) Any fees that are collected under section 31 of the Trademark Act of 1946, and any surcharges on such fees, may only be used for expenses of the Office relating to the processing of trademark registrations and for other activities, services, and materials relating to trademarks and to cover a share of the administrative costs of the Office relating to trademarks.’.~~

~~(b) Effective Date- The amendments made by this section shall take effect on October 1, 2011.~~

~~**SEC. 23(2) CONTENTS—**Each plan under paragraph (1) shall—~~

~~(A) summarize the operations of the Office for the current fiscal year, including financial details and staff levels with respect to major activities; and~~

~~(B) detail the operating plan of the Office, including specific expense and staff needs, for the current fiscal year.~~

~~(f) Audit—The Under Secretary shall, on an annual basis, provide for an independent audit of the financial statements of the Office. Such audit shall be conducted in accordance with generally acceptable accounting procedures.~~

~~(g) Budget—The Fund shall prepare and submit each year to the President a business-type budget in a manner, and before a date, as the President prescribes by regulation for the budget program.~~

SEC. 21. SATELLITE OFFICES.

(a) Establishment- Subject to available resources, the Director shall, by not later than the date that is 3 years after the date of the enactment of this Act, may establish 3 or more satellite offices in the United States to carry out the responsibilities of the ~~Patent and Trademark~~ Office.

(b) ~~Purposes~~Purpose- The purposes~~purpose~~ of the satellite offices established under subsection (a) are to--

- (1) increase outreach activities to better connect patent filers and innovators with the ~~Patent and Trademark~~ Office;
- (2) enhance patent examiner retention;
- (3) improve recruitment of patent examiners; ~~and~~
- (4) decrease the number of patent applications waiting for examination; and
- (5) improve the quality of patent examination.

(c) Required Considerations-

(1) IN GENERAL- In selecting the ~~location~~locale of each satellite office to be established under subsection (a), the Director--

~~(A)~~ shall ensure geographic diversity among the offices, including by ensuring that such offices are established in different States and regions throughout the Nation;

~~(B)~~ may rely upon any previous evaluations by the ~~Patent and Trademark~~ Office of potential locales for satellite offices, including any evaluations prepared as part of the ~~Patent and Trademark~~ Office's Nationwide Workforce Program that resulted in the 2010 selection of Detroit, Michigan, as the first ~~ever~~ satellite office of the ~~Patent and Trademark~~ Office; ~~and~~

(C) shall evaluate and consider the extent to which the purposes of satellite offices listed under subsection (b) will be achieved;

(D) shall consider the availability of scientific and technically knowledgeable personnel~~3~~ nothing in the region from which to draw new patent examiners at minimal recruitment cost; and

(E) shall consider the economic impact to the region.

(2) OPEN SELECTION PROCESS- ~~Nothing in preceding~~ paragraph (1) shall constrain the ~~Patent and Trademark~~ Office to only consider its evaluations in selecting the Detroit, Michigan, satellite office~~prior work from 2010. The process for site selection shall be open.~~

~~(d) Phase in-~~ ~~The Director shall satisfy the requirements of subsection (a) over the 3-year period beginning on the date of enactment of this Act.~~

~~(e) Report to Congress-~~ Not later than the end of the ~~third~~first fiscal year that ~~begins~~occurs after the date of the enactment of this Act, ~~and each fiscal year thereafter,~~ the Director shall submit a report to Congress on--

(1) the rationale of the Director in selecting the ~~location~~locale of any satellite office required under subsection (a), including an explanation of how the selected location will achieve the purposes of satellite offices listed under subsection (b) and how the required considerations listed under subsection (c) were met;;

(2) the progress of the Director in establishing all such satellite offices; and

(3) whether the operation of existing satellite offices is achieving the purposes ~~required~~ under subsection (b).

SEC. 24. DESIGNATION OF DETROIT SATELLITE OFFICE.

(a) Designation- The satellite office of the United States Patent and Trademark Office to be located in Detroit, Michigan, shall be known and designated as the `Elijah J.~~(f)~~

~~Definitions-~~ ~~In this section, the following definitions shall apply:~~

~~(1) DIRECTOR—The term ‘Director’ means the Director McCoy United States Patent and Trademark Office’.~~

~~(b) References— Any reference in a law, map, regulation, document, paper, or other record of the United States to the satellite office of Patent and Trademark Office.~~

~~(2) PATENT AND TRADEMARK OFFICE—The term ‘Patent and Trademark Office’ means the United States Patent and Trademark Office.~~

SEC. 22. PATENT OMBUDSMAN PROGRAM FOR SMALL BUSINESS CONCERNS.

~~Subject to available resources, the Director may establish in the United States Patent and Trademark Office to be located in Detroit, Michigan, referred to in subsection (a) a Patent Ombudsman Program. The duties of the Program’s staff shall be deemed to be a reference to the ‘Elijah J. McCoy United States Patent and Trademark Office’ services relating to patent filings to small business concerns.~~

SEC. 2523. PRIORITY EXAMINATION FOR IMPORTANT TECHNOLOGIES IMPORTANT TO AMERICAN COMPETITIVENESS.

Section 2(b)(2) of title 35, United States Code, is amended--

(1) in subparagraph (E), by striking ‘;’ and ‘ after the and inserting a semicolon;

(2) in subparagraph (F), by inserting ‘and’ after striking the semicolon ~~and inserting ‘; and’;~~ and

(3) by adding at the end the following:

‘(G) may, subject to any conditions prescribed by the Director and at the request of the patent applicant, provide for prioritization of examination of applications for products, processes, or technologies that are important to the national economy or national competitiveness without recovering the aggregate extra cost of providing such prioritization, notwithstanding section 41 or any other provision of law;’.

SEC. ~~shall be known and designated as the ‘Elijah J.~~ 26. STUDY ON IMPLEMENTATION.

~~(a) PTO Study— The Director shall conduct a study on the manner in which this Act and the amendments made by this Act are being implemented by the Office, and on such other aspects of the patent policies and practices of the Federal Government with respect to patent rights, innovation in the United States, competitiveness of United States markets, access by small businesses to capital for investment, and such other issues, as the Director considers appropriate.~~

~~(b) Report to Congress— The Director shall, not later than the date that is 4 years after the date of the enactment of this Act, submit to the Committees on the Judiciary of the House of Representatives and the Senate a report on the results of the study conducted under subsection (a), including recommendations for any changes to laws and regulations that the Director considers appropriate.~~

SEC. 27. STUDY ON GENETIC TESTING.

(a) In General- The Director shall conduct a study on effective ways to provide independent, confirming genetic diagnostic test activity where gene patents and exclusive licensing for primary genetic diagnostic tests exist.

(b) Items Included in Study- The study shall include an examination of at least the following:

(1) The impact that the current lack of independent second opinion testing has had on the ability to provide the highest level of medical care to patients and recipients of genetic diagnostic testing, and on inhibiting innovation to existing testing and diagnoses.

(2) The effect that providing independent second opinion genetic diagnostic testing would have on the existing patent and license holders of an exclusive genetic test.

(3) The impact that current exclusive licensing and patents on genetic testing activity has on the practice of medicine, including but not limited to: the interpretation of testing results and performance of testing procedures.

(4) The role that cost and insurance coverage have on access to and provision of genetic diagnostic tests.

(c) Confirming Genetic Diagnostic Test Activity Defined- For purposes of this section, the term `confirming genetic diagnostic test activity' means the performance of a genetic diagnostic test, by a genetic diagnostic test provider, on an individual solely for the purpose of providing the individual with an independent confirmation of results obtained from another test provider's prior performance of the test on the individual.

(d) Report- Not later than 9 months after the date of enactment of this Act, the Director shall report to the Committee on the Judiciary of the Senate and the Committee on the Judiciary of the House of Representatives on the findings of the study and provide recommendations for establishing the availability of such independent confirming genetic diagnostic test activity.

SEC. 28. PATENT OMBUDSMAN PROGRAM FOR SMALL BUSINESS CONCERNS.

Using available resources, the Director shall establish and maintain in the Office a Patent Ombudsman Program. The duties of the Program's staff shall include providing support and services relating to patent filings to small business concerns and independent inventors.

SEC. 29. ESTABLISHMENT OF METHODS FOR STUDYING THE DIVERSITY OF APPLICANTS.

The Director shall, not later than the end of the 6-month period beginning on the date of the enactment of this Act, establish methods for studying the diversity of patent applicants, including those applicants who are minorities, women ~~References~~ ~~Any reference in a law, map, regulation, document, paper, or veterans.~~ The Director shall not use the results of such study to provide any preferential treatment to patent applicants.

SEC. 30. SENSE OF CONGRESS.

It is the sense of Congress that the patent system should promote industries to continue to develop new technologies that spur growth and create jobs across the country which includes protecting the rights of small businesses and inventors from predatory behavior that could result in the cutting off of innovation.

SEC. 31. USPTO STUDY ON INTERNATIONAL PATENT PROTECTIONS FOR SMALL BUSINESSES.

(a) Study Required- The Director, in consultation with the Secretary of Commerce and the Administrator of the Small Business Administration, shall, using the existing resources of the Office, carry out a study--

(1) to determine how the Office, in coordination with other Federal departments and agencies, can best help small businesses with international patent protection; and

(2) whether, in order to help small businesses pay for the costs of filing, maintaining, and enforcing international patent applications, there should be established either--

(A) a revolving fund loan program to make loans to small businesses to defray the costs of such applications, maintenance, and enforcement and related technical assistance; or

(B) a grant program to defray the costs of such applications, maintenance, and enforcement and related technical assistance.

(b) Report- Not later than 120 days after the date of the enactment of this Act, the Director shall issue a report to the Congress containing--

(1) all findings and determinations made in carrying out the study required under subsection (a);

(2) a statement of whether the determination was made that--

(A) a revolving fund loan program described under subsection (a)(2)(A) should be established;

(B) a grant program described under subsection (a)(2)(B) should be established; or

(C) neither such program should be established; and

(3) any legislative recommendations the Director may have developed in carrying out such study.

SEC. 32. PRO BONO PROGRAM.

(a) In General- The Director shall work with and support intellectual property law associations across the country in the establishment of pro bono programs designed to assist financially under-resourced independent inventors and small businesses.

(b) Effective Date- This section shall take effect on the date of the enactment of this Act.

SEC. 33. LIMITATION ON ISSUANCE OF PATENTS.

(a) Limitation- Notwithstanding any other provision of law, no patent may issue on a claim directed to or encompassing a human organism.

(b) Effective Date-

(1) IN GENERAL- Subsection (a) shall apply to any application for patent that is pending on, or filed on or after, the date of the enactment of this Act.

(2) PRIOR APPLICATIONS- Subsection (a) shall not affect the validity of any patent issued on an application to which paragraph (1) does not apply.

SEC. 34. STUDY OF PATENT LITIGATION.

(a) GAO Study- The Comptroller General ~~other record~~ of the United States shall conduct a study of the consequences of litigation by non-practicing entities, or by patent assertion entities, related to patent claims made under title 35, ~~to the satellite office of the~~ United States Code, Patent and regulations authorized by that title.

(b) Contents of Study- The study conducted under this section shall include the following:

(1) The annual volume of litigation described Trademark Office to be located in Detroit, Michigan referred to in subsection (a) over the 20-year period ending on the date of the enactment of this Act.

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

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

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

(5) The economic impact of such litigation on the economy of the ~~reference to the~~ 'Elijah J. McCoy United States, including the impact on inventors, job creation, employers, employees, and consumers Patent and Trademark Office'.

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

(c) Report to Congress- The Comptroller General shall, not later than the date that is 1 year after the date of the enactment of this Act, submit to the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate a report on the results of the study required under this section, including recommendations for any changes to laws and regulations that will minimize any negative impact of patent litigation that was the subject of such study.

SEC. 3525. EFFECTIVE DATE.

Except as otherwise provided in this Act, the provisions of this Act shall take effect upon the expiration of the 1-year period beginning on ~~1-year after~~ the date of the enactment of this Act and shall apply to any patent issued on or after that effective date.

SEC. 3626. BUDGETARY EFFECTS.

The budgetary effects of this Act, for the purpose of complying with the Statutory Pay-As-You-Go-Act of 2010, shall be determined by reference to the latest statement titled 'Budgetary Effects of PAYGO Legislation' for this Act, submitted for printing in the

Congressional Record by the Chairman of the ~~House~~Senate Budget Committee, provided that such statement has been submitted prior to the vote on passage.

SEC. 37. CALCULATION OF 60-DAY PERIOD FOR APPLICATION OF PATENT TERM EXTENSION.

(a) In General- Section 156(d)(1) of title 35, United States Code, is amended by adding at the end the following flush sentence:

`For purposes of determining the date on which a product receives permission under the second sentence of this paragraph, if such permission is transmitted after 4:30 P.M., Eastern Time, on a business day, or is transmitted on a day that is not a business day, the product shall be deemed to receive such permission on the next business day. For purposes of the preceding sentence, the term `business day' means any Monday, Tuesday, Wednesday, Thursday, or Friday, excluding any legal holiday under section 6103 of title 5.'

(b) Applicability- The amendment made by subsection (a) shall apply to any application for extension of a patent term under section 156 of title 35, United States Code, that is pending on, that is filed after, or as to which a decision regarding the application is subject to judicial review on, the date of the enactment of this Act.