

115TH CONGRESS
1ST SESSION

S. 1390

To strengthen the position of the United States as the world's leading innovator by amending title 35, United States Code, to protect the property rights of the inventors that grow the country's economy.

IN THE SENATE OF THE UNITED STATES

JUNE 21, 2017

Mr. COONS (for himself, Mr. COTTON, Mr. DURBIN, and Ms. HIRONO) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

A BILL

To strengthen the position of the United States as the world's leading innovator by amending title 35, United States Code, to protect the property rights of the inventors that grow the country's economy.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Support Technology and Research for Our Nation’s
6 Growth and Economic Resilience Patents Act of 2017” or
7 the “STRONGER Patents Act of 2017”.

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

Sec. 1. Short title; table of contents.

TITLE I—STRONGER PATENTS ACT

Sec. 101. Findings.

Sec. 102. Inter partes review.

Sec. 103. Post-grant review.

Sec. 104. Composition of post-grant review and inter partes review panels.

Sec. 105. Reexamination of patents.

Sec. 106. Restoration of patents as property rights.

Sec. 107. Elimination of USPTO fee diversion.

Sec. 108. Infringement of patent.

Sec. 109. Institutions of higher education.

Sec. 110. Assisting small businesses in the U.S. patent system.

TITLE II—TARGETING ROGUE AND OPAQUE LETTERS

Sec. 201. Definitions.

Sec. 202. Unfair or deceptive acts or practices in connection with the assertion of a United States patent.

Sec. 203. Enforcement by Federal Trade Commission.

Sec. 204. Preemption of State laws on patent demand letters and enforcement by State attorneys general.

TITLE I—STRONGER PATENTS ACT

SEC. 101. FINDINGS.

Congress finds that—

(1) the patent property rights enshrined in the Constitution of the United States provide the foundation for the exceptional innovation environment in the United States;

(2) strong patent rights encourage United States inventors to invest their resources in creating new inventions;

(3) patent protection has led to patient cures, positive changes to the standard of living for all peo-

1 ple in the United States, and improvements to the
2 agricultural, telecommunications, and electronics in-
3 dustries, among others;

4 (4) the United States patent system is an es-
5 sential part of the country's economic success;

6 (5) strong patent protection improves the
7 chances of success for small companies and increases
8 their chances of securing financing from investors;

9 (6) intellectual property-intensive industries in
10 the United States generate tens of millions of jobs
11 for individuals in the United States;

12 (7) intellectual property-intensive industries in
13 the United States account for more than one-third
14 of the country's gross domestic product;

15 (8) in the highly competitive global economy,
16 the United States needs to uphold strong patent
17 protections to maintain its position as the world's
18 premier innovative country;

19 (9) Congress last enacted comprehensive re-
20 forms of the patent system just recently, in 2011;

21 (10) unintended consequences of the com-
22 prehensive 2011 reform of patent laws are con-
23 tinuing to become evident, including the strategic fil-
24 ing of post-grant review proceedings to depress stock
25 prices and extort settlements, the filing of repetitive

1 petitions for inter partes and post-grant reviews that
2 have the effect of harassing patent owners, and the
3 unnecessary duplication of work by the district
4 courts of the United States and the Patent Trial
5 and Appeal Board;

6 (11) the Judicial Conference of the United
7 States has made significant revisions to rules gov-
8 erning pleadings and discovery in the Federal Rules
9 of Civil Procedure, which took effect in December
10 2015;

11 (12) the Supreme Court recently issued rulings
12 in *Octane Fitness, LLC v. Icon Health & Fitness,*
13 *Inc.*, 134 S.Ct. 1749 (2014) and *Highmark Inc. v.*
14 *Allcare Health Management System, Inc.*, 134 S.Ct.
15 1744 (2014) that significantly reduced the burden
16 on an alleged infringer to recover attorney fees from
17 the patent owner, and increased the incidence of fees
18 shifted to the losing party; and

19 (13) efforts by Congress to reform the patent
20 system without careful scrutiny create a serious risk
21 of making it more costly and difficult for legitimate
22 innovators to protect their patents from infringe-
23 ment, thereby weakening United States companies
24 and the United States economy.

1 **SEC. 102. INTER PARTES REVIEW.**

2 (a) CLAIM CONSTRUCTION.—Section 316(a) of title
3 35, United States Code, is amended—

4 (1) in paragraph (9), by inserting after “sub-
5 stitute claims,” the following: “including the stand-
6 ard for how substitute claims should be construed,”;

7 (2) in paragraph (12), by striking “; and” and
8 inserting a semicolon;

9 (3) in paragraph (13), by striking the period at
10 the end and inserting “; and”; and

11 (4) by adding at the end the following:

12 “(14) providing that for all purposes under this
13 chapter—

14 “(A) each challenged claim of a patent
15 shall be construed as the claim would be con-
16 strued under section 282(b) in an action to in-
17 validate a patent, including by construing each
18 challenged claim of the patent in accordance
19 with—

20 “(i) the ordinary and customary
21 meaning of the claim as understood by a
22 person having ordinary skill in the art to
23 which the claimed invention pertains; and

24 “(ii) the prosecution history per-
25 taining to the patent; and

1 “(B) if a court has previously construed a
 2 challenged claim of a patent or a challenged
 3 claim term in a civil action to which the patent
 4 owner was a party, the Office shall consider
 5 that claim construction.”.

6 (b) BURDEN OF PROOF.—Section 316(e) of title 35,
 7 United States Code, is amended to read as follows:

8 “(e) EVIDENTIARY STANDARDS.—

9 “(1) PRESUMPTION OF VALIDITY.—The pre-
 10 sumption of validity under section 282(a) shall apply
 11 to a previously issued claim that is challenged dur-
 12 ing an inter partes review under this chapter.

13 “(2) BURDEN OF PROOF.—In an inter partes
 14 review instituted under this chapter, the petitioner
 15 shall have the burden of proving a proposition of
 16 unpatentability of a previously issued claim by clear
 17 and convincing evidence.”.

18 (c) STANDING.—Section 311 of title 35, United
 19 States Code, is amended by adding at the end the fol-
 20 lowing:

21 “(d) PERSONS THAT MAY PETITION.—

22 “(1) DEFINITION.—In this subsection, the term
 23 ‘charged with infringement’ means a real and sub-
 24 stantial controversy regarding infringement of a pat-
 25 ent exists such that the petitioner would have stand-

1 ing to bring a declaratory judgment action in Fed-
2 eral court.

3 “(2) NECESSARY CONDITIONS.—A person may
4 not file with the Office a petition to institute an
5 inter partes review of a patent unless the person, or
6 a real party in interest or privy of the person, has
7 been—

8 “(A) sued for infringement of the patent;
9 or

10 “(B) charged with infringement under the
11 patent.”.

12 (d) LIMITATION ON REVIEWS.—Section 314(a) of
13 title 35, United States Code, is amended to read as fol-
14 lows:

15 “(a) THRESHOLD.—

16 “(1) LIKELIHOOD OF PREVAILING.—Subject to
17 paragraph (2), the Director shall not authorize an
18 inter partes review to be instituted unless the Direc-
19 tor determines that the information presented in the
20 petition filed under section 311 and any response
21 filed under section 313 shows that there is a reason-
22 able likelihood that the petitioner would prevail with
23 respect to at least one of the claims challenged in
24 the petition.

1 “(2) PREVIOUS INSTITUTION.—The Director
 2 shall not authorize an inter partes review to be insti-
 3 tuted on a claim challenged in a petition if the Di-
 4 rector has previously instituted an inter partes re-
 5 view or post-grant review with respect to that
 6 claim.”.

7 (e) APPEALS FROM INSTITUTION DECISIONS.—Sec-
 8 tion 314 of title 35, United States Code, is amended by
 9 striking subsection (d) and inserting the following:

10 “(d) NO APPEAL.—A determination by the Director
 11 not to institute an inter partes review under this section
 12 shall be final and nonappealable.

13 “(e) INTERLOCUTORY APPEAL.—

14 “(1) RIGHT OF APPEAL.—A determination by
 15 the Director to institute an inter partes review under
 16 this section may be appealed to the United States
 17 Court of Appeals for the Federal Circuit.

18 “(2) TIMING.—A party shall file a notice of in-
 19 terlocutory appeal under paragraph (1) not later
 20 than 7 days after the date on which the Director en-
 21 ters the institution decision.

22 “(3) LIMITATION.—An interlocutory appeal
 23 filed under paragraph (1) may challenge the institu-
 24 tion decision on any basis except for the determina-
 25 tion made under section 314(a)(1).

1 “(4) EFFECT ON PROCEEDINGS.—An interlocu-
 2 tory appeal filed under paragraph (1) shall not stay
 3 proceedings in the inter partes review unless the Di-
 4 rector or the United States Court of Appeals for the
 5 Federal Circuit so orders.

6 “(5) DECISION.—An interlocutory appeal filed
 7 under paragraph (1) may be granted at the discre-
 8 tion of the United States Court of Appeals for the
 9 Federal Circuit, which may include consideration of
 10 whether—

11 “(A) the institution decision appears to be
 12 in error and mere institution presents a risk of
 13 immediate, irreparable injury to the patent
 14 owner;

15 “(B) the institution decision presents an
 16 unsettled and fundamental issue of law, impor-
 17 tant both to the specific proceeding and gen-
 18 erally, that is likely to evade end-of-the-pro-
 19 ceeding review; or

20 “(C) the institution decision is manifestly
 21 erroneous.”.

22 (f) ELIMINATING REPETITIVE PROCEEDINGS.—Sec-
 23 tion 315(e) of title 35, United States Code, is amended
 24 to read as follows:

25 “(e) ESTOPPEL.—

1 “(1) PROCEEDINGS BEFORE THE OFFICE.—A
2 person petitioning for an inter partes review of a
3 claim in a patent under this chapter, or the real
4 party in interest or privy of the petitioner, may not
5 petition for a subsequent inter partes review before
6 the Office with respect to that patent on any ground
7 that the petitioner raised or reasonably could have
8 raised in the initial petition, unless, after the filing
9 of the initial petition, the petitioner, or the real
10 party in interest or privy of the petitioner, is
11 charged with infringement of additional claims of
12 the patent.

13 “(2) CIVIL ACTIONS AND OTHER PRO-
14 CEEDINGS.—A person petitioning for an inter partes
15 review of a claim in a patent under this chapter that
16 results in an institution decision under section 314,
17 or the real party in interest or privy of the peti-
18 tioner, may not assert either in a civil action arising
19 in whole or in part under section 1338 of title 28
20 or in a proceeding before the International Trade
21 Commission under section 337 of the Tariff Act of
22 1930 (19 U.S.C. 1337) that the claim is invalid
23 based on section 102 or 103 of this title, unless the
24 invalidity argument is based on allegations that the
25 claimed invention was in public use, on sale, or oth-

1 erwise available to the public before the effective fil-
2 ing date of the claimed invention.”.

3 (g) REAL PARTY IN INTEREST.—

4 (1) CLARIFICATION OF DEFINITION.—Section
5 315 of title 35, United States Code, is amended by
6 adding at the end the following:

7 “(f) PETITIONER.—For purposes of this chapter, a
8 person that directly or through an affiliate, subsidiary, or
9 proxy, makes a financial contribution to the preparation
10 for, or conduct during, an inter partes review on behalf
11 of the petitioner shall be considered a real party in interest
12 of the petitioner.”.

13 (2) DISCOVERY OF REAL PARTY IN INTER-
14 EST.—Section 316(a)(5) of title 35, United States
15 Code, is amended to read as follows:

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

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

21 “(B) evidence identifying the petitioner’s
22 real parties in interest; and

23 “(C) what is otherwise necessary in the in-
24 terest of justice;”.

1 (h) PRIORITY OF FEDERAL COURT VALIDITY DE-
 2 TERMINATIONS.—

3 (1) IN GENERAL.—Section 315 of title 35,
 4 United States Code, as amended by subsection (h),
 5 is amended—

6 (A) by redesignating subsections (c)
 7 through (f) as subsections (d) through (g), re-
 8 spectively; and

9 (B) by inserting after subsection (b) the
 10 following:

11 “(c) FEDERAL COURT VALIDITY DETERMINA-
 12 TIONS.—

13 “(1) INSTITUTION BARRED.—An inter partes
 14 review of a patent claim may not be instituted if, in
 15 a civil action arising in whole or in part under sec-
 16 tion 1338 of title 28 or in a proceeding before the
 17 International Trade Commission under section 337
 18 of the Tariff Act of 1930 (19 U.S.C. 1337), a court
 19 has entered a final judgment—

20 “(A) that decides the validity of the patent
 21 claim with respect to section 102 or 103; and

22 “(B) from which an appeal under section
 23 1295 of title 28 may be taken, or from which
 24 an appeal under section 1295 of title 28 was
 25 previously available but is no longer available.

1 “(2) STAY OF PROCEEDINGS.—

2 “(A) IN GENERAL.—If, in a civil action
3 arising in whole or in part under section 1338
4 of title 28 or in a proceeding before the Inter-
5 national Trade Commission under section 337
6 of the Tariff Act of 1930 (19 U.S.C. 1337), a
7 court has entered a final judgment that decides
8 the validity of a patent claim with respect to
9 section 102 or 103 and from which an appeal
10 under section 1295 of title 28 may be taken,
11 the Patent Trial and Appeal Board shall stay
12 any ongoing inter partes review of that patent
13 claim pending a final decision of the court or
14 Commission, as applicable.

15 “(B) TERMINATION.—If the validity of a
16 patent claim described in subparagraph (A) is
17 finally upheld by a court or the International
18 Trade Commission, as applicable, the Patent
19 Trial and Appeal Board shall terminate the
20 inter partes review.”.

21 (2) TECHNICAL AND CONFORMING AMEND-
22 MENTS.—Chapter 31 of title 35, United States
23 Code, is amended—

24 (A) in section 315(b), by striking “sub-
25 section (c)” and inserting “subsection (d)”;

1 (B) in section 316(a)—

2 (i) in paragraph (11), by striking
3 “section 315(c)” and inserting “section
4 315(d)”; and

5 (ii) in paragraph (12), by striking
6 “section 315(c)” and inserting “section
7 315(d)”; and

8 (C) in section 317(a), by striking “section
9 315(e)” and inserting “section 315(f)”.

10 (i) AMENDMENT OF CLAIMS.—

11 (1) INTER PARTES REVIEW AMENDMENT PRAC-
12 TICE.—Chapter 31 of title 35, United States Code,
13 is amended by inserting after section 316 the fol-
14 lowing:

15 **“§ 316A. Inter partes review amendment practice**

16 “(a) ACTIONS PERMITTED.—During an inter partes
17 review instituted under this chapter, the patent owner may
18 move to take one or more of the following actions with
19 respect to any challenged patent claim being reviewed:

20 “(1) Cancel the claim.

21 “(2) Propose a reasonable number of substitute
22 claims whose patentability will be adjudicated by the
23 Patent Trial and Appeal Board in accordance with
24 subsection (c).

1 “(3) Propose a reasonable number of substitute
2 claims to be examined in an expedited IPR reexam-
3 ination in accordance with subsection (d).

4 “(b) SCOPE OF CLAIMS.—An amendment to a patent
5 under this section may not enlarge the scope of the claims
6 of the patent or introduce new matter.

7 “(c) AMENDMENT PRACTICE BEFORE THE PATENT
8 TRIAL AND APPEAL BOARD.—

9 “(1) PATENT OWNER’S INITIAL MOTION.—For
10 each challenged claim for which the patent owner
11 seeks to propose a reasonable number of substitute
12 claims, the patent owner shall be required to make
13 a prima facie showing that each substitute claim—

14 “(A) responds to each ground of unpatent-
15 ability on which the inter partes review was in-
16 stituted;

17 “(B) meets the written description require-
18 ment under section 112(a); and

19 “(C) meets the requirement under sub-
20 section (b) of this section.

21 “(2) NEW EVIDENCE.—

22 “(A) PETITIONER.—The petitioner may re-
23 spond to the patent owner’s initial motion
24 under paragraph (1) by presenting new evi-
25 dence.

1 “(B) PATENT OWNER.—The patent owner
2 shall have not less than 1 opportunity to re-
3 spond to any new evidence presented under sub-
4 paragraph (A).

5 “(3) EXPEDITED PATENTABILITY REPORT.—

6 “(A) IN GENERAL.—Upon the filing of a
7 motion under paragraph (1), the Patent Trial
8 and Appeal Board, in its discretion, may order
9 an expedited patentability report from a patent
10 examiner on a substitute claim.

11 “(B) CONTENTS OF REPORT.—In ordering
12 an expedited patentability report, the Patent
13 Trial and Appeal Board may—

14 “(i) order examination of any ground
15 of patentability that is assessed by a pat-
16 ent examiner under chapter 12; and

17 “(ii) request a non-binding recommen-
18 dation as to the patentability of a sub-
19 stitute claim.

20 “(C) RIGHT OF REPLY.—Any party to the
21 inter partes review may file supplemental brief-
22 ing, including new evidence, addressing the ex-
23 pedited patentability report.

24 “(D) TIMING.—The production of the ex-
25 pedited patentability report shall be expedited.

1 “(E) GOOD CAUSE.—The ordering of a
2 patentability report shall constitute good cause,
3 for purposes of section 316(a)(11), to extend
4 the 1-year period for the inter partes review.

5 “(4) ADJUDICATION OF PATENTABILITY.—

6 “(A) NO REBUTTAL.—A patent owner
7 shall be entitled to a substitute claim if the
8 prima facie showing required under paragraph
9 (1) is not rebutted.

10 “(B) ADDITIONAL EVIDENCE.—If addi-
11 tional evidence of record is presented, the pat-
12 ent owner shall be entitled to a substitute claim
13 unless a preponderance of that evidence proves
14 that the patent owner is not so entitled.

15 “(5) PATENT TRIAL AND APPEAL BOARD’S DIS-
16 CRETION TO ORDER EXPEDITED IPR REEXAMINA-
17 TION.—Upon issuing a final written decision with
18 respect to each challenged claim, the Patent Trial
19 and Appeal Board may order an expedited IPR reex-
20 amination to be conducted under section (d)(2) to
21 consider a substitute claim in lieu of issuing a final
22 written decision on that claim.

23 “(6) AMENDMENTS TO ADVANCE SETTLE-
24 MENT.—The Patent Trial and Appeal Board may
25 consider additional motions to amend upon the joint

1 request of the petitioner and the patent owner to
 2 materially advance the settlement of a proceeding
 3 under section 317 if the patent owner makes the
 4 prima facie showing required under paragraph (1).

5 “(d) AMENDMENT PRACTICE BEFORE A PATENT EX-
 6 AMINER.—

7 “(1) MOTION TO CONVERT TO EXPEDITED IPR
 8 EXAMINATION.—

9 “(A) IN GENERAL.—If the Director deter-
 10 mines to institute an inter partes review on a
 11 challenged claim under section 314, a patent
 12 owner may, before any further substantive
 13 briefing on the patentability of an instituted
 14 claim, move to terminate the inter partes review
 15 in favor of an expedited IPR reexamination
 16 under paragraph (2) of this subsection.

17 “(B) CONTENTS OF MOTION.—A patent
 18 owner shall be required to show good cause for
 19 why an expedited IPR reexamination would fur-
 20 ther the goals of the patent system, including
 21 consideration of whether there are substantial—

22 “(i) investments in research directly
 23 related to the claimed invention;

24 “(ii) secondary indicia of non-obvious-
 25 ness, such as commercial success, long-felt

1 but unsolved needs, or failures of persons
2 skilled in the art to develop the claimed in-
3 vention; or

4 “(iii) changes in case law governing
5 relevant substantive patentability require-
6 ments since the patent was issued.

7 “(C) NEW EVIDENCE ALLOWED.—The
8 opening motion and opposition briefs under this
9 paragraph may include new evidence, and fur-
10 ther rebuttal evidence may be allowed at the
11 discretion of the Patent Trial and Appeal
12 Board.

13 “(2) CONDUCT OF EXPEDITED IPR EXAMINA-
14 TION.—

15 “(A) IN GENERAL.—If the Patent Trial
16 and Appeal Board grants a motion filed under
17 paragraph (1), the patent owner shall cancel
18 each instituted claim and submit a reasonable
19 number of substitute claims for consideration
20 by the patent examiner in an expedited IPR ex-
21 amination under this paragraph.

22 “(B) TIMING.—A patent examiner shall
23 complete an expedited IPR examination, exclud-
24 ing any time for appeals, within 18 months.

1 “(C) PROCEDURES.—Consideration of the
2 substitute claims in an expedited IPR examina-
3 tion shall follow the procedures established for
4 initial examination under sections 132 and 133,
5 subject to subsection (b) of this section and
6 modified as necessary to ensure that the proce-
7 dures are expedited.

8 “(D) APPEAL.—

9 “(i) PATENT EXAMINER DECISION.—

10 If the final decision of a patent examiner
11 in an expedited IPR examination is ad-
12 verse to the patentability of a substitute
13 claim, the patent owner may appeal the de-
14 cision to the Patent Trial and Appeal
15 Board under section 134(c).

16 “(ii) PATENT TRIAL AND APPEAL
17 BOARD DECISION.—If the final decision in
18 an appeal of an expedited IPR reexamina-
19 tion to the Patent Trial and Appeal Board
20 under section 134(c) is adverse to the pat-
21 entability of a substitute claim, the patent
22 owner may appeal the decision to the
23 United States Court of Appeals for the
24 Federal Circuit in accordance with sections
25 141 through 144.

“(E) CERTIFICATE.—If the patent examiner determines in an expedited IPR examination that a substitute claim is patentable, and the time for appeal has expired or any appeal proceeding has terminated, the Director shall issue and publish a certificate incorporating in the patent the substitute claim.

“(F) INTERVENING RIGHTS.—Any substitute claim determined to be patentable and incorporated into a patent following an expedited IPR examination 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 the substitute claim, or who made substantial preparation therefor, prior to issuance of a certificate under subparagraph (E).”.

(2) TECHNICAL AND CONFORMING AMENDMENTS.—

(A) EXPEDITED IPR EXAMINATION APPEALS.—

(i) APPEALS TO PATENT TRIAL AND APPEAL BOARD.—Section 134 of title 35,

1 United States Code, is amended by adding
 2 at the end the following:

3 “(c) PATENT OWNER IN EXPEDITED EXAMINA-
 4 TION.—A patent owner may appeal from the final rejec-
 5 tion of any substitute claim by the primary examiner in
 6 an expedited IPR examination under section 316A(d) to
 7 the Patent Trial and Appeal Board, having once paid the
 8 fee for such appeal.”.

9 (ii) APPEALS TO FEDERAL CIRCUIT.—
 10 Section 141 of title 35, United States
 11 Code, is amended—

12 (I) by redesignating subsections
 13 (c) and (d) as subsections (d) and (e);
 14 and

15 (II) by inserting after subsection
 16 (b) the following:

17 “(c) EXPEDITED EXAMINATIONS.—A patent owner
 18 who is dissatisfied with the final decision in an appeal to
 19 the Patent Trial and Appeal Board under section 134(c)
 20 of an expedited IPR examination may appeal the Board’s
 21 decision to the United States Court of Appeals for the
 22 Federal Circuit.”.

23 (B) CONDUCT OF INTER PARTES RE-
 24 VIEW.—Section 316 of title 35, United States
 25 Code, is amended—

1 (i) in subsection (a)(9), by striking
 2 “subsection (d)” each place that term ap-
 3 pears and inserting “section 316A”;

4 (ii) by striking subsection (d); and

5 (iii) by redesignating subsection (e) as
 6 subsection (d).

7 (C) DECISION OF THE BOARD.—Section
 8 318(a) of title 35, United States Code, is
 9 amended—

10 (i) by striking “If” and inserting “Ex-
 11 cept as provided in section 316A(c)(5), if”;
 12 and

13 (ii) by striking “section 316(d)” and
 14 inserting “section 316A”.

15 (D) TABLE OF SECTIONS.—The table of
 16 sections for chapter 31 of title 35, United
 17 States Code, is amended by inserting after the
 18 item relating to section 316 the following:

“316A. Inter partes review amendment practice.”.

19 **SEC. 103. POST-GRANT REVIEW.**

20 (a) CLAIM CONSTRUCTION.—Section 326(a) of title
 21 35, United States Code, is amended—

22 (1) in paragraph (9), by inserting after “sub-
 23 stitute claims,” the following: “including the stand-
 24 ard for how substitute claims should be construed,”;

1 (2) in paragraph (11), by striking “; and” and
2 inserting a semicolon;

3 (3) in paragraph (12), by striking the period at
4 the end and inserting “; and”; and

5 (4) by adding at the end the following:

6 “(13) providing that for all purposes under this
7 chapter—

8 “(A) each challenged claim of a patent
9 shall be construed as the claim would be con-
10 strued under section 282(b) in an action to in-
11 validate a patent, including by construing each
12 challenged claim of the patent in accordance
13 with—

14 “(i) the ordinary and customary
15 meaning of the claim as understood by a
16 person having ordinary skill in the art to
17 which the claimed invention pertains; and

18 “(ii) the prosecution history per-
19 taining to the patent; and

20 “(B) if a court has previously construed a
21 challenged claim of a patent or a challenged
22 claim term in a civil action to which the patent
23 owner was a party, the Office shall consider
24 that claim construction.”.

1 (b) BURDEN OF PROOF.—Section 326(e) of title 35,
2 United States Code, is amended to read as follows:

3 “(e) EVIDENTIARY STANDARDS.—

4 “(1) PRESUMPTION OF VALIDITY.—The pre-
5 sumption of validity under section 282(a) shall apply
6 to a previously issued claim that is challenged dur-
7 ing a proceeding under this chapter.

8 “(2) BURDEN OF PROOF.—In a post-grant re-
9 view instituted under this chapter, the petitioner
10 shall have the burden of proving a proposition of
11 unpatentability of a previously issued claim by clear
12 and convincing evidence.”.

13 (c) STANDING.—Section 321 of title 35, United
14 States Code, is amended by adding at the end the fol-
15 lowing:

16 “(d) PERSONS THAT MAY PETITION.—

17 “(1) DEFINITION.—In this subsection, the term
18 ‘charged with infringement’ means a real and sub-
19 stantial controversy regarding infringement of a pat-
20 ent exists such that the petitioner would have stand-
21 ing to bring a declaratory judgment action in Fed-
22 eral court.

23 “(2) NECESSARY CONDITIONS.—A person may
24 not file with the Office a petition to institute a post-
25 grant review of the patent unless the person, or a

1 real party in interest or privy of the person, dem-
 2 onstrates—

3 “(A) a reasonable possibility of being—

4 “(i) sued for infringement of the pat-
 5 ent; or

6 “(ii) charged with infringement under
 7 the patent; or

8 “(B) a competitive harm related to the va-
 9 lidity of the patent.”.

10 (d) LIMITATION ON REVIEWS.—Section 324(a) of
 11 title 35, United States Code, is amended to read as fol-
 12 lows:

13 “(a) THRESHOLD.—

14 “(1) LIKELIHOOD OF PREVAILING.—Subject to
 15 paragraph (2), the Director may not authorize a
 16 post-grant review to be instituted unless the Director
 17 determines that the information presented in the pe-
 18 tition filed under section 321, if such information is
 19 not rebutted, would demonstrate that it is more like-
 20 ly than not that at least one of the claims challenged
 21 in the petition is unpatentable.

22 “(2) PREVIOUS INSTITUTION.—The Director
 23 may not authorize a post-grant review to be insti-
 24 tuted on a claim challenged in a petition if the Di-

1 rector has previously instituted an inter partes or
 2 post-grant review with respect to that claim.”.

3 (e) APPEALS FROM INSTITUTION DECISIONS.—Sec-
 4 tion 324 of title 35, United States Code, is amended by
 5 striking subsection (e) and inserting the following:

6 “(e) NO APPEAL.—A determination by the Director
 7 not to institute a post-grant review under this section shall
 8 be final and nonappealable.

9 “(f) INTERLOCUTORY APPEAL.—

10 “(1) RIGHT OF APPEAL.—A determination by
 11 the Director to institute a post-grant review under
 12 this section may be appealed to the United States
 13 Court of Appeals for the Federal Circuit.

14 “(2) TIMING.—A party shall file a notice of in-
 15 terlocutory appeal under paragraph (1) not later
 16 than 7 days after the date on which the Director en-
 17 ters the institution decision.

18 “(3) LIMITATION.—An interlocutory appeal
 19 filed under paragraph (1) may challenge the institu-
 20 tion decision on any basis except for the determina-
 21 tion made under section 324(a)(1).

22 “(4) EFFECT ON PROCEEDINGS.—An interlocu-
 23 tory appeal filed under paragraph (1) shall not stay
 24 proceedings in the post-grant review unless the Di-

1 rector or the United States Court of Appeals for the
2 Federal Circuit so orders.

3 “(5) DECISION.—An interlocutory appeal filed
4 under paragraph (1) may be granted at the discre-
5 tion of the United States Court of Appeals for the
6 Federal Circuit, which may include consideration of
7 whether—

8 “(A) the institution decision appears to be
9 in error and mere institution presents a risk of
10 immediate, irreparable injury to the patent
11 owner;

12 “(B) the institution decision presents an
13 unsettled and fundamental issue of law, impor-
14 tant both to the specific proceeding and gen-
15 erally, that is likely to evade end-of-the-pro-
16 ceeding review; or

17 “(C) the institution decision is manifestly
18 erroneous.”.

19 (f) ELIMINATING REPETITIVE PROCEEDINGS.—Sec-
20 tion 325(e)(1) of title 35, United States Code, is amended
21 to read as follows:

22 “(1) PROCEEDINGS BEFORE THE OFFICE.—A
23 person petitioning for a post-grant review of a claim
24 in a patent under this chapter, or the real party in
25 interest or privy of the petitioner, may not petition

1 for a subsequent post-grant review before the Office
 2 with respect to that patent on any ground that the
 3 petitioner raised or reasonably could have raised in
 4 the initial petition, unless, after the filing of the ini-
 5 tial petition, the petitioner, or the real party in in-
 6 terest or privy of the petitioner, is charged with in-
 7 fringement of additional claims of the patent.”.

8 (g) REAL PARTY IN INTEREST.—

9 (1) CLARIFICATION OF DEFINITION.—Section
 10 325 of title 35, United States Code, is amended by
 11 adding at the end the following:

12 “(g) REAL PARTY IN INTEREST.—For purposes of
 13 this chapter, a person that directly or through an affiliate,
 14 subsidiary, or proxy, makes a financial contribution to the
 15 preparation for, or conduct during, a post-grant review on
 16 behalf of the petitioner shall be considered a real party
 17 in interest of the petitioner.”.

18 (2) DISCOVERY OF REAL PARTY IN INTER-
 19 EST.—Section 326(a)(5) of title 35, United States
 20 Code, is amended to read as follows:

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

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

1 “(B) evidence identifying the petitioner’s
2 real parties in interest; and

3 “(C) what is otherwise necessary in the in-
4 terest of justice;”.

5 (h) PRIORITY OF FEDERAL COURT VALIDITY DE-
6 TERMINATIONS.—

7 (1) IN GENERAL.—Section 325 of title 35,
8 United States Code, as amended by subsection (h),
9 is amended—

10 (A) by redesignating subsections (c)
11 through (g) as subsections (d) through (h), re-
12 spectively; and

13 (B) by inserting after subsection (b) the
14 following:

15 “(c) FEDERAL COURT VALIDITY DETERMINA-
16 TIONS.—

17 “(1) INSTITUTION BARRED.—A post-grant re-
18 view of a patent claim may not be instituted if, in
19 a civil action arising in whole or in part under sec-
20 tion 1338 of title 28 or in a proceeding before the
21 International Trade Commission under section 337
22 of the Tariff Act of 1930 (19 U.S.C. 1337), a court
23 has entered a final judgment—

24 “(A) that decides the validity of the patent
25 claim with respect to section 102 or 103; and

1 “(B) from which an appeal under section
2 1295 of title 28 may be taken, or from which
3 an appeal under section 1295 of title 28 was
4 previously available but is no longer available.

5 “(2) STAY OF PROCEEDINGS.—

6 “(A) IN GENERAL.—If, in a civil action
7 arising in whole or in part under section 1338
8 of title 28 or in a proceeding before the Inter-
9 national Trade Commission under section 337
10 of the Tariff Act of 1930 (19 U.S.C. 1337), a
11 court has entered a final judgment that decides
12 the validity of a patent claim with respect to
13 section 102 or 103 and from which an appeal
14 under section 1295 of title 28 may be taken,
15 the Patent Trial and Appeal Board shall stay
16 any ongoing post-grant review of that patent
17 claim pending a final decision of the court or
18 Commission, as applicable.

19 “(B) TERMINATION.—If the validity of a
20 patent claim described in subparagraph (A) is
21 finally upheld by a court or the International
22 Trade Commission, as applicable, the Patent
23 Trial and Appeal Board shall terminate the
24 post-grant review.”.

1 (2) TECHNICAL AND CONFORMING AMEND-
 2 MENTS.—Chapter 32 of title 35, United States
 3 Code, is amended—

4 (A) in section 326(a)(11), by striking “sec-
 5 tion 325(c)” and inserting “section 325(d)”;
 6 and

7 (B) in section 327(a), by striking “section
 8 325(e)” and inserting “section 325(f)”.

9 (i) AMENDMENT OF CLAIMS.—

10 (1) POST-GRANT REVIEW AMENDMENT PRAC-
 11 TICE.—Chapter 32 of title 35, United States Code,
 12 is amended by inserting after section 326 the fol-
 13 lowing:

14 **“§ 326A. Post-grant review amendment practice**

15 “(a) ACTIONS PERMITTED.—During a post-grant re-
 16 view instituted under this chapter, the patent owner may
 17 move to take one or more of the following actions with
 18 respect to any challenged patent claim being reviewed:

19 “(1) Cancel the claim.

20 “(2) Propose a reasonable number of substitute
 21 claims whose patentability will be adjudicated by the
 22 Patent Trial and Appeal Board in accordance with
 23 subsection (c).

1 “(3) Propose a reasonable number of substitute
 2 claims to be examined in an expedited PGR reexam-
 3 ination in accordance with subsection (d).

4 “(b) SCOPE OF CLAIMS.—An amendment to a patent
 5 under this section may not enlarge the scope of the claims
 6 of the patent or introduce new matter.

7 “(c) AMENDMENT PRACTICE BEFORE THE PATENT
 8 TRIAL AND APPEAL BOARD.—

9 “(1) PATENT OWNER’S INITIAL MOTION.—For
 10 each challenged claim for which the patent owner
 11 seeks to propose a reasonable number of substitute
 12 claims, the patent owner shall be required to make
 13 a prima facie showing that each substitute claim—

14 “(A) responds to each ground of
 15 unpatentability on which the post-grant review
 16 was instituted;

17 “(B) meets the written description require-
 18 ment under section 112(a); and

19 “(C) meets the requirement under sub-
 20 section (b) of this section.

21 “(2) NEW EVIDENCE.—

22 “(A) PETITIONER.—The petitioner may re-
 23 spond to the patent owner’s initial motion
 24 under paragraph (1) by presenting new evi-
 25 dence.

1 “(B) PATENT OWNER.—The patent owner
2 shall have not less than 1 opportunity to re-
3 spond to any new evidence presented under sub-
4 paragraph (A).

5 “(3) EXPEDITED PATENTABILITY REPORT.—

6 “(A) IN GENERAL.—Upon the filing of a
7 motion under paragraph (1), the Patent Trial
8 and Appeal Board, in its discretion, may order
9 an expedited patentability report from a patent
10 examiner on a substitute claim.

11 “(B) CONTENTS OF REPORT.—In ordering
12 an expedited patentability report, the Patent
13 Trial and Appeal Board may—

14 “(i) order examination of any ground
15 of patentability that is assessed by a pat-
16 ent examiner under chapter 12; and

17 “(ii) request a non-binding recommen-
18 dation as to the patentability of a sub-
19 stitute claim.

20 “(C) RIGHT OF REPLY.—Any party to the
21 post-grant review may file supplemental brief-
22 ing, including new evidence, addressing the ex-
23 pedited patentability report.

24 “(D) TIMING.—The production of the ex-
25 pedited patentability report shall be expedited.

1 “(E) GOOD CAUSE.—The ordering of a
2 patentability report shall constitute good cause,
3 for purposes of section 326(a)(11), to extend
4 the 1-year period for the post-grant review.

5 “(4) ADJUDICATION OF PATENTABILITY.—

6 “(A) NO REBUTTAL.—A patent owner
7 shall be entitled to a substitute claim if the
8 prima facie showing required under paragraph
9 (1) is not rebutted.

10 “(B) ADDITIONAL EVIDENCE.—If addi-
11 tional evidence of record is presented, the pat-
12 ent owner shall be entitled to a substitute claim
13 unless a preponderance of that evidence proves
14 that the patent owner is not so entitled.

15 “(5) PATENT TRIAL AND APPEAL BOARD’S DIS-
16 CRETION TO ORDER EXPEDITED PGR REEXAMINA-
17 TION.—Upon issuing a final written decision with
18 respect to each challenged claim, the Patent Trial
19 and Appeal Board may order an expedited PGR re-
20 examination to be conducted under section (d)(2) to
21 consider a substitute claim in lieu of issuing a final
22 written decision on that claim.

23 “(6) AMENDMENTS TO ADVANCE SETTLE-
24 MENT.—The Patent Trial and Appeal Board may
25 consider additional motions to amend upon the joint

1 request of the petitioner and the patent owner to
2 materially advance the settlement of a proceeding
3 under section 327 if the patent owner makes the
4 prima facie showing required under paragraph (1).

5 “(d) AMENDMENT PRACTICE BEFORE A PATENT EX-
6 AMINER.—

7 “(1) MOTION TO CONVERT TO EXPEDITED PGR
8 EXAMINATION.—

9 “(A) IN GENERAL.—If the Director deter-
10 mines to institute a post-grant review on a chal-
11 lenged claim under section 324, a patent owner
12 may, before any further substantive briefing on
13 the patentability of an instituted claim, move to
14 terminate the post-grant review in favor of an
15 expedited PGR reexamination under paragraph
16 (2) of this subsection.

17 “(B) CONTENTS OF MOTION.—A patent
18 owner shall be required to show good cause for
19 why an expedited PGR reexamination would
20 further the goals of the patent system, includ-
21 ing consideration of whether there are substan-
22 tial—

23 “(i) investments in research directly
24 related to the claimed invention;

1 “(ii) secondary indicia of non-obvious-
2 ness, such as commercial success, long-felt
3 but unsolved needs, or failures of persons
4 skilled in the art to develop the claimed in-
5 vention; or

6 “(iii) changes in case law governing
7 relevant substantive patentability require-
8 ments since the patent was issued.

9 “(C) NEW EVIDENCE ALLOWED.—The
10 opening motion and opposition briefs under this
11 paragraph may include new evidence, and fur-
12 ther rebuttal evidence may be allowed at the
13 discretion of the Patent Trial and Appeal
14 Board.

15 “(2) CONDUCT OF EXPEDITED PGR EXAMINA-
16 TION.—

17 “(A) IN GENERAL.—If the Patent Trial
18 and Appeal Board grants a motion filed under
19 paragraph (1), the patent owner shall cancel
20 each instituted claim and submit a reasonable
21 number of substitute claims for consideration
22 by the patent examiner in an expedited PGR
23 examination under this paragraph.

1 “(B) TIMING.—A patent examiner shall
 2 complete an expedited PGR examination, ex-
 3 cluding any time for appeals, within 18 months.

4 “(C) PROCEDURES.—Consideration of the
 5 substitute claims in an expedited PGR examina-
 6 tion shall follow the procedures established for
 7 initial examination under sections 132 and 133,
 8 subject to subsection (b) of this section and
 9 modified as necessary to ensure that the proce-
 10 dures are expedited.

11 “(D) APPEAL.—

12 “(i) PATENT EXAMINER DECISION.—
 13 If the final decision of a patent examiner
 14 in an expedited PGR examination is ad-
 15 verse to the patentability of a substitute
 16 claim, the patent owner may appeal the de-
 17 cision to the Patent Trial and Appeal
 18 Board under section 134(c).

19 “(ii) PATENT TRIAL AND APPEAL
 20 BOARD DECISION.—If the final decision in
 21 an appeal of an expedited PGR reexamina-
 22 tion to the Patent Trial and Appeal Board
 23 under section 134(c) is adverse to the pat-
 24 entability of a substitute claim, the patent
 25 owner may appeal the decision to the

1 United States Court of Appeals for the
2 Federal Circuit in accordance with sections
3 141 through 144.

4 “(E) CERTIFICATE.—If the patent exam-
5 iner determines in an expedited PGR examina-
6 tion that a substitute claim is patentable, and
7 the time for appeal has expired or any appeal
8 proceeding has terminated, the Director shall
9 issue and publish a certificate incorporating in
10 the patent the substitute claim.

11 “(F) INTERVENING RIGHTS.—Any sub-
12 stitute claim determined to be patentable and
13 incorporated into a patent following an expe-
14 dited PGR examination shall have the same ef-
15 fect as that specified in section 252 for reissued
16 patents on the right of any person who made,
17 purchased, or used within the United States, or
18 imported into the United States, anything pat-
19 ented by the substitute claim, or who made sub-
20 stantial preparation therefor, prior to issuance
21 of a certificate under subparagraph (E).”.

22 (2) TECHNICAL AND CONFORMING AMEND-
23 MENTS.—

24 (A) EXPEDITED PGR EXAMINATION AP-
25 PEALS.—

1 (i) APPEALS TO PATENT TRIAL AND
2 APPEAL BOARD.—Section 134 of title 35,
3 United States Code, is amended by adding
4 at the end the following:

5 “(c) PATENT OWNER IN EXPEDITED EXAMINA-
6 TION.—A patent owner may appeal from the final rejec-
7 tion of any substitute claim by the primary examiner in
8 an expedited PGR examination under section 326A(d) to
9 the Patent Trial and Appeal Board, having once paid the
10 fee for such appeal.”.

11 (ii) APPEALS TO FEDERAL CIRCUIT.—
12 Section 141 of title 35, United States
13 Code, is amended—

14 (I) by redesignating subsections
15 (c) and (d) as subsections (d) and (e);
16 and

17 (II) by inserting after subsection
18 (b) the following:

19 “(c) EXPEDITED EXAMINATIONS.—A patent owner
20 who is dissatisfied with the final decision in an appeal to
21 the Patent Trial and Appeal Board under section 134(c)
22 of an expedited PGR examination may appeal the Board’s
23 decision to the United States Court of Appeals for the
24 Federal Circuit.”.

1 (B) CONDUCT OF POST-GRANT REVIEW.—
 2 Section 326 of title 35, United States Code, is
 3 amended—

4 (i) in subsection (a)(9), by striking
 5 “subsection (d)” each place that term ap-
 6 pears and inserting “section 326A”;

7 (ii) by striking subsection (d); and

8 (iii) by redesignating subsection (e) as
 9 subsection (d).

10 (C) DECISION OF THE BOARD.—Section
 11 328(a) of title 35, United States Code, is
 12 amended—

13 (i) by striking “If” and inserting “Ex-
 14 cept as provided in section 326A(c)(5), if”;
 15 and

16 (ii) by striking “section 326(d)” and
 17 inserting “section 326A”.

18 (D) TABLE OF SECTIONS.—The table of
 19 sections for chapter 32 of title 35, United
 20 States Code, is amended by inserting after the
 21 item relating to section 326 the following:

“326A. Post-grant review amendment practice.”.

22 **SEC. 104. COMPOSITION OF POST-GRANT REVIEW AND**
 23 **INTER PARTES REVIEW PANELS.**

24 Section 6(c) of title 35, United States Code, is
 25 amended to read as follows:

1 “(c) 3-MEMBER PANELS.—

2 “(1) IN GENERAL.—Each appeal, derivation
3 proceeding, post-grant review, and inter partes re-
4 view shall be heard by at least 3 members of the
5 Patent Trial and Appeal Board, who shall be des-
6 ignated by the Director.

7 “(2) INELIGIBILITY TO HEAR REVIEW.—A
8 member of the Patent Trial and Appeal Board who
9 participates in the decision to institute a post-grant
10 review or an inter partes review of a patent shall be
11 ineligible to hear the review.

12 “(3) REHEARINGS.—Only the Patent Trial and
13 Appeal Board may grant rehearings.”.

14 **SEC. 105. REEXAMINATION OF PATENTS.**

15 (a) REQUEST FOR REEXAMINATION.—Section 302 of
16 title 35, United States Code, is amended to read as fol-
17 lows:

18 **“§ 302. Request for reexamination**

19 “Any person at any time may file a request for reex-
20 amination by the Office of any claim of a patent on the
21 basis of any prior art cited under the provisions of section
22 301. The request must be in writing and must be accom-
23 panied by payment of a reexamination fee established by
24 the Director pursuant to the provisions of section 41. The
25 request must identify all real parties in interest and certify

1 that reexamination is not barred under section 303(d).
 2 The request must set forth the pertinency and manner of
 3 applying cited prior art to every claim for which reexam-
 4 ination is requested. Unless the requesting person is the
 5 owner of the patent, the Director promptly will send a
 6 copy of the request to the owner of record of the patent.”.

7 (b) REEXAMINATION BARRED BY CIVIL ACTION.—
 8 Section 303 of title 35, United States Code, is amended
 9 by adding at the end the following:

10 “(d) An ex parte reexamination may not be instituted
 11 if the request for reexamination is filed more than 1 year
 12 after the date on which the requester or a real party in
 13 interest or privy of the requester is served with a com-
 14 plaint alleging infringement of the patent.”.

15 **SEC. 106. RESTORATION OF PATENTS AS PROPERTY**
 16 **RIGHTS.**

17 Section 283 of title 35, United States Code, is
 18 amended—

19 (1) by striking “The several courts” and insert-
 20 ing the following:

21 “(a) IN GENERAL.—The several courts”; and

22 (2) by adding at the end the following:

23 “(b) INJUNCTION.—Upon a finding by a court of in-
 24 fringement of a patent not proven invalid or unenforce-
 25 able, the court shall presume that—

1 “(1) further infringement of the patent would
2 cause irreparable injury; and

3 “(2) remedies available at law are inadequate to
4 compensate for that injury.”.

5 **SEC. 107. ELIMINATION OF USPTO FEE DIVERSION.**

6 (a) FUNDING.—Section 42 of title 35, United States
7 Code, is amended—

8 (1) in subsection (b), by striking “Patent and
9 Trademark Office Appropriation Account” and in-
10 sserting “United States Patent and Trademark Of-
11 fice Innovation Promotion Fund”;

12 (2) in subsection (c)—

13 (A) in paragraph (1)—

14 (i) by striking “To the extent” and all
15 that follows through “fees” and inserting
16 “Fees”; and

17 (ii) by striking “shall be collected by
18 and shall, subject to paragraph (2), be
19 available to the Director” and inserting
20 “shall be collected by the Director and
21 shall be available to the Director until ex-
22 pended”;

23 (B) by striking paragraph (2); and

24 (C) by redesignating paragraph (3) as
25 paragraph (2);

1 (3) by redesignating subsections (d) and (e) as
2 subsections (e) and (f), respectively;

3 (4) by inserting after subsection (c) the fol-
4 lowing:

5 “(d) REVOLVING FUND.—

6 “(1) DEFINITIONS.—In this subsection—

7 “(A) the term ‘Fund’ means the United
8 States Patent and Trademark Office Innovation
9 Promotion Fund established under paragraph
10 (2); and

11 “(B) the term ‘Trademark Act of 1946’
12 means the Act entitled ‘An Act to provide for
13 the registration and protection of trademarks
14 used in commerce, to carry out the provisions
15 of certain international conventions, and for
16 other purposes’, approved July 5, 1946 (15
17 U.S.C. 1051 et seq.) (commonly referred to as
18 the ‘Trademark Act of 1946’ or the ‘Lanham
19 Act’).

20 “(2) ESTABLISHMENT.—There is established in
21 the Treasury a revolving fund to be known as the
22 ‘United States Patent and Trademark Office Inno-
23 vation Promotion Fund’.

1 “(3) DERIVATION OF RESOURCES.—There shall
2 be deposited into the Fund any fees collected
3 under—

4 “(A) this title; or

5 “(B) the Trademark Act of 1946.

6 “(4) EXPENSES.—Amounts deposited into the
7 Fund under paragraph (3) shall be available, with-
8 out fiscal year limitation, to cover—

9 “(A) all expenses to the extent consistent
10 with the limitation on the use of fees set forth
11 in subsection (c), including all administrative
12 and operating expenses, determined in the dis-
13 cretion of the Director to be ordinary and rea-
14 sonable, incurred by the Director for the contin-
15 ued operation of all services, programs, activi-
16 ties, and duties of the Office relating to patents
17 and trademarks, as such services, programs, ac-
18 tivities, and duties are described under—

19 “(i) this title; and

20 “(ii) the Trademark Act of 1946; and

21 “(B) all expenses incurred pursuant to any
22 obligation, representation, or other commitment
23 of the Office.”;

1 (5) in subsection (e), as redesignated, by strik-
 2 ing “The Director” and inserting “REFUNDS.—The
 3 Director”; and

4 (6) in subsection (f), as redesignated, by strik-
 5 ing “The Secretary” and inserting “REPORT.—The
 6 Secretary”.

7 (b) EFFECTIVE DATE; TRANSFER FROM AND TERMI-
 8 NATION OF OBSOLETE FUNDS.—

9 (1) EFFECTIVE DATE.—The amendments made
 10 by subsection (a) shall take effect on the first day
 11 of the first fiscal year that begins on or after the
 12 date of enactment of this Act.

13 (2) REMAINING BALANCES.—There shall be de-
 14 posited in the Fund, on the effective date described
 15 in paragraph (1), any available unobligated balances
 16 remaining in the Patent and Trademark Office Ap-
 17 propriation Account, and in the Patent and Trade-
 18 mark Fee Reserve Fund established under section
 19 42(c)(2) of title 35, United States Code, as in effect
 20 on the date before the effective date.

21 (3) TERMINATION OF RESERVE FUND.—Upon
 22 the payment of all obligated amounts in the Patent
 23 and Trademark Fee Reserve Fund under paragraph
 24 (2), the Patent and Trademark Fee Reserve Fund
 25 shall be terminated.

1 **SEC. 108. INFRINGEMENT OF PATENT.**

2 Section 271 of title 35, United States Code, is
3 amended—

4 (1) by striking subsection (b) and inserting the
5 following:

6 “(b) Whoever actively induces infringement of a pat-
7 ent shall be liable as an infringer upon a showing that
8 the accused infringer intended to cause the acts that con-
9 stitute infringement, without regard to whether the ac-
10 cused infringer knew of the patent.”;

11 (2) in subsection (f), by adding at the end the
12 following:

13 “(3)(A) Whoever, without authority, supplies or
14 causes to be supplied in or from the United States a de-
15 sign for a product embodying a patented invention in such
16 manner as to actively induce the making of that product
17 outside the United States in a manner that would infringe
18 the patent if made in the United States, shall be liable
19 as an infringer.

20 “(B) Whoever, without authority, supplies or causes
21 to be supplied in or from the United States a specification
22 for performing a patented process or method in such man-
23 ner as to actively induce the performance of that process
24 or method outside the United States in a manner that
25 would infringe the patent if performed in the United
26 States, shall be liable as an infringer.”; and

1 (3) by adding at the end the following:

2 “(j) For a finding of liability for actively inducing in-
3 fringement of a process patent under subsection (b), or
4 for contributory infringement of a process patent under
5 subsection (c), it shall not be a requirement that the steps
6 of the patented process be practiced by a single entity.”.

7 **SEC. 109. INSTITUTIONS OF HIGHER EDUCATION.**

8 Section 123(d) of title 35, United States Code, is
9 amended to read as follows:

10 “(d) INSTITUTIONS OF HIGHER EDUCATION.—For
11 purposes of this section, a micro entity shall include an
12 applicant who certifies that—

13 “(1) the applicant’s employer, from which the
14 applicant obtains the majority of the applicant’s in-
15 come, is an institution of higher education as de-
16 fined in section 101(a) of the Higher Education Act
17 of 1965 (20 U.S.C. 1001(a));

18 “(2) the applicant has assigned, granted, con-
19 veyed, or is under an obligation by contract or law,
20 to assign, grant, or convey, a license or other owner-
21 ship interest in the particular applications to such
22 an institution of higher education;

23 “(3) the applicant is an institution of higher
24 education as defined in section 101(a) of the Higher
25 Education Act of 1965 (20 U.S.C. 1001(a)); or

1 “(4) the applicant is an organization described
 2 in section 501(c)(3) of the Internal Revenue Code of
 3 1986 and exempt from taxation under section
 4 501(a) of such Code that holds title to patents and
 5 patent applications on behalf of such an institution
 6 of higher education for the purpose of facilitating
 7 commercialization of the technologies of the patents
 8 and patent applications.”.

9 **SEC. 110. ASSISTING SMALL BUSINESSES IN THE U.S. PAT-**
 10 **ENT SYSTEM.**

11 (a) DEFINITION.—In this section, the term “small
 12 business concern” has the meaning given the term in sec-
 13 tion 3 of the Small Business Act (15 U.S.C. 632).

14 (b) SMALL BUSINESS ADMINISTRATION REPORT.—
 15 Not later than 1 year after the date of enactment of this
 16 Act, the Small Business Administration, using existing re-
 17 sources, shall submit to the Committee on Small Business
 18 and Entrepreneurship of the Senate and the Committee
 19 on Small Business of the House of Representatives a re-
 20 port analyzing the impact of—

- 21 (1) patent ownership by small business con-
 22 cerns; and
- 23 (2) civil actions against small business concerns
 24 arising under title 35, United States Code, relating
 25 to patent infringement.

1 (c) EXPANSION OF PATENT PILOT PROGRAM IN CER-
2 TAIN DISTRICT COURTS.—

3 (1) IN GENERAL.—Not later than 180 days
4 after the date of enactment of this Act, the Director
5 of the Administrative Office of the United States
6 Courts shall designate not fewer than 6 of the dis-
7 trict courts of the United States that are partici-
8 pating in the patent cases pilot program established
9 under section 1 of Public Law 111–349 (28 U.S.C.
10 137 note) for the purpose of expanding that pro-
11 gram to address special issues raised in patent in-
12 fringement suits against individuals or small busi-
13 ness concerns.

14 (2) PROCEDURES FOR SMALL BUSINESSES.—
15 Not later than 2 years after the date of enactment
16 of this Act, each district court designated under
17 paragraph (1) shall develop procedures for expe-
18 diting cases in which an individual or small business
19 concern is accused of patent infringement.

20 (3) PARTICIPATING JUDGES.—

21 (A) IN GENERAL.—In each district court
22 designated under paragraph (1), each district
23 court judge participating in the patent cases
24 pilot program established under section 1 of
25 Public Law 111–349 may appoint 1 additional

1 law clerk or secretary in excess of any other
 2 limitation on the number of such employees.

3 (B) EDUCATION AND TRAINING.—The
 4 Federal Judicial Center, using existing re-
 5 sources, shall prepare educational and training
 6 materials to assist district court judges de-
 7 scribed in subparagraph (A) in developing ex-
 8 pertise in patent and plant variety protection
 9 cases.

10 (4) FUNDS.—There are authorized to be appro-
 11 priated such sums as may be necessary to carry out
 12 paragraph (3)(A).

13 (d) FREE ONLINE AVAILABILITY OF PUBLIC SEARCH
 14 FACILITY MATERIALS.—Section 41(i) of title 35, United
 15 States Code, is amended by adding at the end the fol-
 16 lowing:

17 “(5) FREE ONLINE AVAILABILITY OF PUBLIC
 18 SEARCH FACILITY MATERIALS.—The Director shall
 19 make available online and at no charge all patent
 20 and trademark information that is available at the
 21 Public Search Facility of the Office located in Alex-
 22 andria, Virginia, including, except to the extent that
 23 licenses with third-party contractors would make
 24 such provision financially unviable—

25 “(A) search tools and databases;

1 “(B) informational materials; and

2 “(C) training classes and materials.”.

3 **TITLE II—TARGETING ROGUE**
 4 **AND OPAQUE LETTERS**

5 **SEC. 201. DEFINITIONS.**

6 In this title:

7 (1) **BAD FAITH.**—The term “bad faith” means,
 8 with respect to section 202(a), that the sender—

9 (A) made knowingly false or knowingly
 10 misleading statements, representations, or omis-
 11 sions;

12 (B) made statements, representations, or
 13 omissions with reckless indifference as to the
 14 false or misleading nature of such statements,
 15 representations, or omissions; or

16 (C) made statements, representations, or
 17 omissions with awareness of the high prob-
 18 ability of the statements, representations, or
 19 omissions to deceive and the sender inten-
 20 tionally avoided the truth.

21 (2) **COMMISSION.**—The term “Commission”
 22 means the Federal Trade Commission.

23 (3) **FINAL DETERMINATION.**—The term “final
 24 determination” means, with respect to the invalidity
 25 or unenforceability of a patent, that the invalidity or

1 unenforceability has been determined by a court of
2 the United States or the United States Patent and
3 Trademark Office in a final decision that is
4 unappealable or for which any opportunity for ap-
5 peal is no longer available.

6 **SEC. 202. UNFAIR OR DECEPTIVE ACTS OR PRACTICES IN**
7 **CONNECTION WITH THE ASSERTION OF A**
8 **UNITED STATES PATENT.**

9 (a) IN GENERAL.—It shall be an unfair or deceptive
10 act or practice within the meaning of section 5(a)(1) of
11 the Federal Trade Commission Act (15 U.S.C. 45(a)(1))
12 for a person, in connection with the assertion of a United
13 States patent, to engage in a pattern or practice of send-
14 ing written communications that state or represent that
15 the recipients are or may be infringing, or have or may
16 have infringed, the patent and bear liability or owe com-
17 pensation to another, if—

18 (1) the sender of the communications, in bad
19 faith, states or represents in the communications
20 that—

21 (A) the sender is a person with the right
22 to license or enforce the patent at the time the
23 communications are sent, and the sender is not
24 a person with such a right;

1 (B) a civil action asserting a claim of in-
2 fringement of the patent has been filed against
3 the recipient;

4 (C) a civil action asserting a claim of in-
5 fringement of the patent has been filed against
6 other persons;

7 (D) legal action for infringement of the
8 patent will be taken against the recipient;

9 (E) the sender is the exclusive licensee of
10 the patent asserted in the communications;

11 (F) persons other than the recipient pur-
12 chased a license for the patent asserted in the
13 communications;

14 (G) persons other than the recipient pur-
15 chased a license, and the sender does not dis-
16 close that such license is unrelated to the al-
17 leged infringement or the patent asserted in the
18 communications;

19 (H) an investigation of the recipient's al-
20 leged infringement occurred; or

21 (I) the sender or an affiliate of the sender
22 previously filed a civil action asserting a claim
23 of infringement of the patent based on the ac-
24 tivity that is the subject of the written commu-
25 nication when the sender knew such activity

1 was held, in a final determination, not to in-
2 fringe the patent;

3 (2) the sender of the communications, in bad
4 faith, seeks compensation for—

5 (A) a patent claim that has been held to
6 be unenforceable due to inequitable conduct, in-
7 valid, or otherwise unenforceable against the re-
8 cipient, in a final determination;

9 (B) activities undertaken by the recipient
10 after expiration of the patent asserted in the
11 communications; or

12 (C) activity of the recipient that the sender
13 knew was authorized, with respect to the patent
14 claim or claims that are the subject of the com-
15 munications, by a person with the right to li-
16 cense the patent; or

17 (3) the sender of the communications, in bad
18 faith, fails to include—

19 (A) the identity of the person asserting a
20 right to license the patent to, or enforce the
21 patent against, the recipient, including the iden-
22 tity of any parent entity and the ultimate par-
23 ent entity of such person, unless such person is
24 a public company and the name of the public
25 company is identified;

1 (B) an identification of at least one patent
2 issued by the United States Patent and Trade-
3 mark Office alleged to have been infringed;

4 (C) an identification, to the extent reason-
5 able under the circumstances, of at least one
6 product, service, or other activity of the recipi-
7 ent that is alleged to infringe the identified pat-
8 ent;

9 (D) a description, to the extent reasonable
10 under the circumstances, of how the product,
11 service, or other activity of the recipient in-
12 fringes an identified patent and patent claim; or

13 (E) a name and contact information for a
14 person the recipient may contact about the as-
15 sertions or claims relating to the patent con-
16 tained in the communications.

17 (b) AFFIRMATIVE DEFENSE.—With respect to sub-
18 section (a), there shall be an affirmative defense that
19 statements, representations, or omissions were not made
20 in bad faith (as defined in subparagraphs (B) and (C) of
21 section 201(1)) if the sender can demonstrate that such
22 statements, representations, or omissions were mistakes
23 made in good faith. Evidence that the sender in the usual
24 course of business sends written communications that do
25 not violate the provisions of this title shall be sufficient

1 to demonstrate good faith. Good faith may also be dem-
2 onstrated by other evidence.

3 (c) RULE OF CONSTRUCTION.—For purposes of sec-
4 tions 203 and 204, the commission of an act or practice
5 that is declared under this section to be an unfair or de-
6 ceptive act or practice within the meaning of section
7 5(a)(1) of the Federal Trade Commission Act (15 U.S.C.
8 45(a)(1)) shall be considered to be a violation of this sec-
9 tion.

10 **SEC. 203. ENFORCEMENT BY FEDERAL TRADE COMMIS-**
11 **SION.**

12 (a) VIOLATION OF RULE.—A violation of section 202
13 shall be treated as a violation of a rule defining an unfair
14 or deceptive act or practice prescribed under section
15 18(a)(1)(B) of the Federal Trade Commission Act (15
16 U.S.C. 57a(a)(1)(B)).

17 (b) POWERS OF COMMISSION.—The Commission
18 shall enforce this title in the same manner, by the same
19 means, and with the same jurisdiction, powers, and duties
20 as though all applicable terms and provisions of the Fed-
21 eral Trade Commission Act (15 U.S.C. 41 et seq.) were
22 incorporated into and made a part of this title. Any person
23 who violates section 202 shall be subject to the penalties
24 and entitled to the privileges and immunities provided in
25 the Federal Trade Commission Act.

1 (c) EFFECT ON OTHER LAWS.—Nothing in this title
 2 shall be construed in any way to limit or affect the author-
 3 ity of the Commission under any other provision of law.

4 **SEC. 204. PREEMPTION OF STATE LAWS ON PATENT DE-**
 5 **MAND LETTERS AND ENFORCEMENT BY**
 6 **STATE ATTORNEYS GENERAL.**

7 (a) PREEMPTION.—

8 (1) IN GENERAL.—This title preempts any law,
 9 rule, regulation, requirement, standard, or other pro-
 10 vision having the force and effect of law of any
 11 State, or political subdivision of a State, expressly
 12 relating to the transmission or contents of commu-
 13 nications relating to the assertion of patent rights.

14 (2) EFFECT ON OTHER STATE LAWS.—Except
 15 as provided in paragraph (1), this title shall not be
 16 construed to preempt or limit any provision of any
 17 State law, including any State consumer protection
 18 law, any State law relating to acts of fraud or decep-
 19 tion, and any State trespass, contract, or tort law.

20 (b) ENFORCEMENT BY STATE ATTORNEYS GEN-
 21 ERAL.—

22 (1) IN GENERAL.—In any case in which the at-
 23 torney general of a State has reason to believe that
 24 an interest of the residents of that State has been
 25 adversely affected by any person who violates section

1 202, the attorney general of the State, may bring a
2 civil action on behalf of such residents of the State
3 in a district court of the United States of appro-
4 priate jurisdiction—

5 (A) to enjoin further such violation by the
6 defendant; or

7 (B) to obtain civil penalties on behalf of
8 recipients who suffered actual damages as a re-
9 sult of such violation.

10 (2) MAXIMUM CIVIL PENALTY.—Notwith-
11 standing the number of actions which may be
12 brought against a person under this subsection, a
13 person may not be liable for a total of more than
14 \$5,000,000 for a series of related violations of sec-
15 tion 202.

16 (3) INTERVENTION BY THE FTC.—

17 (A) NOTICE AND INTERVENTION.—The at-
18 torney general of a State shall provide prior
19 written notice of any action under paragraph
20 (1) to the Commission and provide the Commis-
21 sion with a copy of the complaint in the action,
22 except in any case in which such prior notice is
23 not feasible, in which case the attorney general
24 shall serve such notice immediately upon insti-

tuting such action. The Commission shall have
the right—

(i) to intervene in the action;

(ii) upon so intervening, to be heard
on all matters arising therein; and

(iii) to file petitions for appeal.

(B) LIMITATION ON STATE ACTION WHILE
FEDERAL ACTION IS PENDING.—If the Commis-
sion has instituted a civil action for violation of
section 202, no State attorney general may
bring an action under this subsection during
the pendency of that action against any defend-
ant named in the complaint of the Commission
for any violation of such section alleged in the
complaint.

(4) CONSTRUCTION.—For purposes of bringing
any civil action under paragraph (1), nothing in this
title shall be construed to prevent the attorney gen-
eral of a State from exercising the powers conferred
on the attorney general by the laws of that State
to—

(A) conduct investigations;

(B) administer oaths or affirmations; or

1 (C) compel the attendance of witnesses or
2 the production of documentary and other evi-
3 dence.

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