

115TH CONGRESS
2D SESSION

H. R. 5340

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 HOUSE OF REPRESENTATIVES

MARCH 20, 2018

Mr. STIVERS (for himself, Mr. FOSTER, Mr. DAVIDSON, Mr. DUFFY, Mr. CRAMER, Mr. KING of New York, Ms. VELÁZQUEZ, Mr. HUIZENGA, Mr. JOYCE of Ohio, Mr. BILIRAKIS, Mr. DANNY K. DAVIS of Illinois, Mr. RUSH, Mr. BRENDAN F. BOYLE of Pennsylvania, Mr. PETERS, Mrs. WATSON COLEMAN, and Mr. GOSAR) introduced the following bill; which was referred to the Committee on the Judiciary, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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

1 Growth and Economic Resilience Patents Act of 2018” or
 2 the “STRONGER Patents Act of 2018”.

3 (b) TABLE OF CONTENTS.—The table of contents for
 4 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.

5 **TITLE I—STRONGER PATENTS** 6 **ACT**

7 **SEC. 101. FINDINGS.**

8 Congress finds that—

9 (1) the patent property rights enshrined in the
 10 Constitution of the United States provide the foun-
 11 dation for the exceptional innovation environment in
 12 the United States;

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

1 (3) patent protection has led to patient cures,
2 positive changes to the standard of living for all peo-
3 ple in the United States, and improvements to the
4 agricultural, telecommunications, and electronics in-
5 dustries, among others;

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

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

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

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

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

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

23 (10) unintended consequences of the com-
24 prehensive 2011 reform of patent laws are con-
25 tinuing to become evident, including the strategic fil-

1 ing of post-grant review proceedings to depress stock
2 prices and extort settlements, the filing of repetitive
3 petitions for inter partes and post-grant reviews that
4 have the effect of harassing patent owners, and the
5 unnecessary duplication of work by the district
6 courts of the United States and the Patent Trial
7 and Appeal Board;

8 (11) the Judicial Conference of the United
9 States has made significant revisions to rules gov-
10 erning pleadings and discovery in the Federal Rules
11 of Civil Procedure, which took effect in December
12 2015;

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

21 (13) efforts by Congress to reform the patent
22 system without careful scrutiny create a serious risk
23 of making it more costly and difficult for legitimate
24 innovators to protect their patents from infringe-

1 ment, thereby weakening United States companies
2 and the United States economy.

3 **SEC. 102. INTER PARTES REVIEW.**

4 (a) CLAIM CONSTRUCTION.—Section 316(a) of title
5 35, United States Code, is amended—

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

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

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

13 (4) by adding at the end the following new
14 paragraph:

15 “(14) providing that for all purposes under this
16 chapter—

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

23 “(i) the ordinary and customary
24 meaning of the claim as understood by a

1 person having ordinary skill in the art to
2 which the claimed invention pertains; and

3 “(ii) the prosecution history per-
4 taining to the patent; and

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

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

12 “(e) EVIDENTIARY STANDARDS.—

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

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

22 (c) STANDING.—Section 311 of title 35, United
23 States Code, is amended by adding at the end the fol-
24 lowing new subsection:

25 “(d) PERSONS THAT MAY PETITION.—

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

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

12 “(A) sued for infringement of the patent;

13 or

14 “(B) charged with infringement under the
15 patent.”.

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

19 “(a) THRESHOLD.—

20 “(1) LIKELIHOOD OF PREVAILING.—Subject to
21 paragraph (2), the Director may not authorize an
22 inter partes review to be instituted unless the Direc-
23 tor determines that the information presented in the
24 petition filed under section 311 and any response
25 filed under section 313 shows that there is a reason-

1 able likelihood that the petitioner would prevail with
2 respect to at least one of the claims challenged in
3 the petition.

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

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

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

16 “(e) INTERLOCUTORY APPEAL.—

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

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

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

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

10 “(5) DECISION.—An interlocutory appeal filed
11 under paragraph (1) may be granted by the United
12 States Court of Appeals for the Federal Circuit,
13 which may include consideration of whether—

14 “(A) the institution decision appears to be
15 in error and mere institution of the inter partes
16 review presents a risk of immediate, irreparable
17 injury to the patent owner;

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

23 “(C) the institution decision is manifestly
24 erroneous.”.

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

4 “(e) ESTOPPEL.—

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

17 “(2) CIVIL ACTIONS AND OTHER PRO-
18 CEEDINGS.—A person petitioning for an inter partes
19 review of a claim in a patent under this chapter that
20 results in an institution decision under section 314,
21 or the real party in interest or privy of the peti-
22 tioner, may not assert either in a civil action arising
23 in whole or in part under section 1338 of title 28
24 or in a proceeding before the International Trade
25 Commission under section 337 of the Tariff Act of

1 1930 (19 U.S.C. 1337) that the claim is invalid
2 based on section 102 or 103 of this title, unless the
3 invalidity argument is based on allegations that the
4 claimed invention was in public use, on sale, or oth-
5 erwise available to the public before the effective fil-
6 ing date of the claimed invention.”.

7 (g) REAL PARTY IN INTEREST.—

8 (1) CLARIFICATION OF DEFINITION.—Section
9 315 of title 35, United States Code, is amended by
10 adding at the end the following new subsection:

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

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

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

23 “(A) the deposition of witnesses submitting
24 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 315 of title 35,
8 United States Code, as amended by subsections (f)
9 and (g), is further amended—

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

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

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

17 “(1) INSTITUTION BARRED.—An inter partes
18 review 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 inter partes 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 inter partes review.”.

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

4 (A) in section 315(b), by striking “sub-
5 section (e)” and inserting “subsection (d)”;

6 (B) in section 316(a)—

7 (i) in paragraph (11), by striking
8 “section 315(c)” and inserting “section
9 315(d)”;

10 (ii) in paragraph (12), by striking
11 “section 315(c)” and inserting “section
12 315(d)”;

13 (C) in section 317(a), by striking “section
14 315(e)” and inserting “section 315(f)”.

15 (i) AMENDMENT OF CLAIMS.—

16 (1) INTER PARTES REVIEW AMENDMENT PRAC-
17 TICE.—Chapter 31 of title 35, United States Code,
18 is amended by inserting after section 316 the fol-
19 lowing new section:

20 **“§ 316A. Inter partes review amendment practice**

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

25 “(1) Cancel the claim.

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

5 “(3) Propose a reasonable number of substitute
6 claims to be examined in an expedited inter partes
7 review (in this section referred to as ‘expedited
8 IPR’) reexamination in accordance with subsection
9 (d).

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

13 “(c) AMENDMENT PRACTICE BEFORE THE PATENT
14 TRIAL AND APPEAL BOARD.—

15 “(1) PATENT OWNER’S INITIAL MOTION.—For
16 each challenged claim for which the patent owner
17 seeks to propose a reasonable number of substitute
18 claims, the patent owner shall be required to make
19 a prima facie showing that each substitute claim—

20 “(A) responds to each ground of
21 unpatentability on which the inter partes review
22 was instituted;

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

1 “(C) meets the requirement under sub-
2 section (b) of this section.

3 “(2) NEW EVIDENCE.—

4 “(A) PETITIONER.—The petitioner may re-
5 spond to the patent owner’s initial motion
6 under paragraph (1) by presenting new evi-
7 dence.

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

12 “(3) EXPEDITED PATENTABILITY REPORT.—

13 “(A) IN GENERAL.—Upon the filing of a
14 motion under paragraph (1), the Patent Trial
15 and Appeal Board may order an expedited pat-
16 entability report from a patent examiner on a
17 substitute claim.

18 “(B) CONTENTS OF REPORT.—In ordering
19 an expedited patentability report, the Patent
20 Trial and Appeal Board may—

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

1 “(ii) request a non-binding rec-
2 ommendation as to the patentability of a
3 substitute claim.

4 “(C) RIGHT OF REPLY.—Any party to the
5 inter partes review may file supplemental brief-
6 ing, including new evidence, addressing the ex-
7 pedited patentability report.

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

10 “(E) GOOD CAUSE.—The ordering of an
11 expedited patentability report shall constitute
12 good cause, for purposes of section 316(a)(11),
13 to extend the 1-year period for the inter partes
14 review.

15 “(4) ADJUDICATION OF PATENTABILITY.—

16 “(A) NO REBUTTAL.—A patent owner
17 shall be entitled to a substitute claim if the
18 prima facie showing required under paragraph
19 (1) is not rebutted.

20 “(B) ADDITIONAL EVIDENCE.—If addi-
21 tional evidence of record is presented, the pat-
22 ent owner shall be entitled to a substitute claim
23 unless a preponderance of that evidence proves
24 that the patent owner is not so entitled.

1 “(5) PATENT TRIAL AND APPEAL BOARD’S DIS-
2 CRETION TO ORDER EXPEDITED IPR REEXAMINA-
3 TION.—Upon issuing a final written decision with
4 respect to each challenged claim, the Patent Trial
5 and Appeal Board may order an expedited IPR reex-
6 amination to be conducted under subsection (d)(2)
7 to consider a substitute claim in lieu of issuing a
8 final written decision on that claim.

9 “(6) AMENDMENTS TO ADVANCE SETTLE-
10 MENT.—The Patent Trial and Appeal Board may
11 consider additional motions to amend upon the joint
12 request of the petitioner and the patent owner to
13 materially advance the settlement of a proceeding
14 under section 317 if the patent owner makes the
15 prima facie showing required under paragraph (1).

16 “(d) AMENDMENT PRACTICE BEFORE A PATENT EX-
17 AMINER.—

18 “(1) MOTION TO CONVERT TO EXPEDITED IPR
19 EXAMINATION.—

20 “(A) IN GENERAL.—If the Director deter-
21 mines to institute an inter partes review on a
22 challenged claim under section 314, a patent
23 owner may, before any further substantive
24 briefing on the patentability of an instituted
25 claim, move to terminate the inter partes review

1 in favor of an expedited IPR reexamination
2 under paragraph (2) of this subsection.

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

8 “(i) investments in research directly
9 related to the claimed invention;

10 “(ii) secondary indicia of non-obvious-
11 ness, such as commercial success, long-felt
12 but unsolved needs, or failures of persons
13 skilled in the art to develop the claimed in-
14 vention; or

15 “(iii) changes in case law governing
16 relevant substantive patentability require-
17 ments since the patent was issued.

18 “(C) NEW EVIDENCE ALLOWED.—The
19 opening motion and opposition briefs under this
20 paragraph may include new evidence, and fur-
21 ther rebuttal evidence may be allowed by the
22 Patent Trial and Appeal Board.

23 “(2) CONDUCT OF EXPEDITED IPR EXAMINA-
24 TION.—

1 “(A) IN GENERAL.—If the Patent Trial
2 and Appeal Board grants a motion filed under
3 paragraph (1), the patent owner shall cancel
4 each instituted claim and submit a reasonable
5 number of substitute claims for consideration
6 by the patent examiner in an expedited IPR ex-
7 amination under this paragraph.

8 “(B) TIMING.—A patent examiner shall
9 complete an expedited IPR examination, exclud-
10 ing any time for appeals, within 18 months
11 after the date on which any substitute claim is
12 submitted under subparagraph (A).

13 “(C) PROCEDURES.—Consideration of the
14 substitute claims in an expedited IPR examina-
15 tion shall follow the procedures established for
16 initial examination under sections 132 and 133,
17 subject to subsection (b) of this section and
18 modified as necessary to ensure that the proce-
19 dures are expedited.

20 “(D) APPEAL.—

21 “(i) PATENT EXAMINER DECISION.—
22 If the final decision of a patent examiner
23 in an expedited IPR examination is ad-
24 verse to the patentability of a substitute
25 claim, the patent owner may appeal the de-

1 cision to the Patent Trial and Appeal
2 Board under section 134(c).

3 “(ii) PATENT TRIAL AND APPEAL
4 BOARD DECISION.—If the final decision in
5 an appeal of an expedited IPR reexamina-
6 tion to the Patent Trial and Appeal Board
7 under section 134(c) is adverse to the pat-
8 entability of a substitute claim, the patent
9 owner may appeal the decision to the
10 United States Court of Appeals for the
11 Federal Circuit in accordance with sections
12 141 through 144.

13 “(E) CERTIFICATE.—If the patent exam-
14 iner determines in an expedited IPR examina-
15 tion that a substitute claim is patentable, and
16 the time for appeal has expired or any appeal
17 proceeding has terminated, the Director shall
18 issue and publish a certificate incorporating in
19 the patent the substitute claim.

20 “(F) INTERVENING RIGHTS.—Any sub-
21 stitute claim determined to be patentable and
22 incorporated into a patent following an expe-
23 dited IPR examination shall have the same ef-
24 fect as that specified in section 252 for reissued
25 patents on the right of any person who made,

1 purchased, or used within the United States, or
 2 imported into the United States, anything pat-
 3 ented by the substitute claim, or who made sub-
 4 stantial preparation therefor, prior to issuance
 5 of a certificate under subparagraph (E).”.

6 (2) TECHNICAL AND CONFORMING AMEND-
 7 MENTS.—

8 (A) EXPEDITED IPR EXAMINATION AP-
 9 PEALS.—

10 (i) APPEALS TO PATENT TRIAL AND
 11 APPEAL BOARD.—Section 134 of title 35,
 12 United States Code, is amended by adding
 13 at the end the following new subsection:

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

20 (ii) APPEALS TO FEDERAL CIRCUIT.—
 21 Section 141 of title 35, United States
 22 Code, is amended—

23 (I) by redesignating subsections
 24 (c) and (d) as subsections (d) and (e);
 25 and

1 (II) by inserting after subsection
2 (b) the following new subsection:

3 “(c) EXPEDITED IPR EXAMINATIONS.—A patent
4 owner who is dissatisfied with the final decision in an ap-
5 peal to the Patent Trial and Appeal Board under section
6 134(c) of an expedited IPR examination may appeal the
7 Board’s decision to the United States Court of Appeals
8 for the Federal Circuit.”.

9 (B) CONDUCT OF INTER PARTES RE-
10 VIEW.—Section 316 of title 35, United States
11 Code, is amended—

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

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

16 (iii) by redesignating subsection (e) as
17 subsection (d).

18 (C) DECISION OF THE BOARD.—Section
19 318(a) of title 35, United States Code, is
20 amended—

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

24 (ii) by striking “section 316(d)” and
25 inserting “section 316A”.

1 (D) TABLE OF SECTIONS.—The table of
2 sections for chapter 31 of title 35, United
3 States Code, is amended by inserting after the
4 item relating to section 316 the following new
5 item:

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

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

7 (a) CLAIM CONSTRUCTION.—Section 326(a) of title
8 35, United States Code, is amended—

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

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

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

16 (4) by adding at the end the following new
17 paragraph:

18 “(13) providing that for all purposes under this
19 chapter—

20 “(A) each challenged claim of a patent
21 shall be construed as the claim would be con-
22 strued under section 282(b) in an action to in-
23 validate a patent, including by construing each
24 challenged claim of the patent in accordance
25 with—

1 “(i) the ordinary and customary
2 meaning of the claim as understood by a
3 person having ordinary skill in the art to
4 which the claimed invention pertains; and

5 “(ii) the prosecution history per-
6 taining to the patent; and

7 “(B) if a court has previously construed a
8 challenged claim of a patent or a challenged
9 claim term in a civil action to which the patent
10 owner was a party, the Office shall consider
11 that claim construction.”.

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

14 “(e) EVIDENTIARY STANDARDS.—

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

19 “(2) BURDEN OF PROOF.—In a post-grant re-
20 view instituted under this chapter, the petitioner
21 shall have the burden of proving a proposition of
22 unpatentability of a previously issued claim by clear
23 and convincing evidence.”.

1 (c) STANDING.—Section 321 of title 35, United
2 States Code, is amended by adding at the end the fol-
3 lowing new subsection:

4 “(d) PERSONS THAT MAY PETITION.—

5 “(1) DEFINITION.—In this subsection, the term
6 ‘charged with infringement’ means a real and sub-
7 stantial controversy regarding infringement of a pat-
8 ent exists such that the petitioner would have stand-
9 ing to bring a declaratory judgment action in Fed-
10 eral court.

11 “(2) NECESSARY CONDITIONS.—A person may
12 not file with the Office a petition to institute a post-
13 grant review of the patent unless the person, or a
14 real party in interest or privy of the person, dem-
15 onstrates—

16 “(A) a reasonable possibility of being—

17 “(i) sued for infringement of the pat-
18 ent; or

19 “(ii) charged with infringement under
20 the patent; or

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

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

1 “(a) THRESHOLD.—

2 “(1) LIKELIHOOD OF PREVAILING.—Subject to
3 paragraph (2), the Director may not authorize a
4 post-grant review to be instituted unless the Director
5 determines that the information presented in the pe-
6 tition filed under section 321, if such information is
7 not rebutted, would demonstrate that it is more like-
8 ly than not that at least one of the claims challenged
9 in the petition is unpatentable.

10 “(2) PREVIOUS INSTITUTION.—The Director
11 may not authorize a post-grant review to be insti-
12 tuted on a claim challenged in a petition if the Di-
13 rector has previously instituted an inter partes or
14 post-grant review with respect to that claim.”.

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

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

21 “(f) INTERLOCUTORY APPEAL.—

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

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

5 “(3) LIMITATION.—An interlocutory appeal
6 filed under paragraph (1) may challenge the institu-
7 tion decision on any basis except for the determina-
8 tion made under section 324(a)(1).

9 “(4) EFFECT ON PROCEEDINGS.—An interlocu-
10 tory appeal filed under paragraph (1) shall not stay
11 proceedings in the post-grant review unless the Di-
12 rector or the United States Court of Appeals for the
13 Federal Circuit so orders.

14 “(5) DECISION.—An interlocutory appeal filed
15 under paragraph (1) may be granted by the United
16 States Court of Appeals for the Federal Circuit,
17 which may include consideration of whether—

18 “(A) the institution decision appears to be
19 in error and mere institution presents a risk of
20 immediate, irreparable injury to the patent
21 owner;

22 “(B) the institution decision presents an
23 unsettled and fundamental issue of law, impor-
24 tant both to the specific proceeding and gen-

1 erally, that is likely to evade end-of-the-pro-
2 ceeding review; or

3 “(C) the institution decision is manifestly
4 erroneous.”.

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

8 “(1) PROCEEDINGS BEFORE THE OFFICE.—A
9 person petitioning for a post-grant review of a claim
10 in a patent under this chapter, or the real party in
11 interest or privy of the petitioner, may not petition
12 for a subsequent post-grant review before the Office
13 with respect to that patent on any ground that the
14 petitioner raised or reasonably could have raised in
15 the initial petition, unless, after the filing of the ini-
16 tial petition, the petitioner, or the real party in in-
17 terest or privy of the petitioner, is charged with in-
18 fringement of additional claims of the patent.”.

19 (g) REAL PARTY IN INTEREST.—

20 (1) CLARIFICATION OF DEFINITION.—Section
21 325 of title 35, United States Code, is amended by
22 adding at the end the following new subsection:

23 “(g) REAL PARTY IN INTEREST.—For purposes of
24 this chapter, a person that directly or through an affiliate,
25 subsidiary, or proxy, makes a financial contribution to the

1 preparation for, or conduct during, a post-grant review on
2 behalf of the petitioner shall be considered a real party
3 in interest of the petitioner.”.

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

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

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

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

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

16 (h) PRIORITY OF FEDERAL COURT VALIDITY DE-
17 TERMINATIONS.—

18 (1) IN GENERAL.—Section 325 of title 35,
19 United States Code, as amended by subsections (f)
20 and (g), is further amended—

21 (A) by redesignating subsections (c)
22 through (g) as subsections (d) through (h), re-
23 spectively; and

24 (B) by inserting after subsection (b) the
25 following new subsection:

1 “(c) FEDERAL COURT VALIDITY DETERMINA-
2 TIONS.—

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

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

12 “(B) from which an appeal under section
13 1295 of title 28 may be taken, or from which
14 an appeal under section 1295 of title 28 was
15 previously available but is no longer available.

16 “(2) STAY OF PROCEEDINGS.—

17 “(A) IN GENERAL.—If, in a civil action
18 arising in whole or in part under section 1338
19 of title 28 or in a proceeding before the Inter-
20 national Trade Commission under section 337
21 of the Tariff Act of 1930 (19 U.S.C. 1337), a
22 court has entered a final judgment that decides
23 the validity of a patent claim with respect to
24 section 102 or 103 and from which an appeal
25 under section 1295 of title 28 may be taken,

1 the Patent Trial and Appeal Board shall stay
2 any ongoing post-grant review of that patent
3 claim pending a final decision of the court or
4 Commission, as applicable.

5 “(B) TERMINATION.—If the validity of a
6 patent claim described in subparagraph (A) is
7 finally upheld by a court or the International
8 Trade Commission, as applicable, the Patent
9 Trial and Appeal Board shall terminate the
10 post-grant review.”.

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

14 (A) in section 326(a)(11), by striking “sec-
15 tion 325(c)” and inserting “section 325(d”);
16 and

17 (B) in section 327(a), by striking “section
18 325(e)” and inserting “section 325(f)”.

19 (i) AMENDMENT OF CLAIMS.—

20 (1) POST-GRANT REVIEW AMENDMENT PRAC-
21 TICE.—Chapter 32 of title 35, United States Code,
22 is amended by inserting after section 326 the fol-
23 lowing new section:

1 **“§ 326A. Post-grant review amendment practice**

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

6 “(1) Cancel the claim.

7 “(2) Propose a reasonable number of substitute
8 claims whose patentability will be adjudicated by the
9 Patent Trial and Appeal Board in accordance with
10 subsection (c).

11 “(3) Propose a reasonable number of substitute
12 claims to be examined in an expedited PGR (in this
13 section referred to as ‘expedited PGR’) reexamina-
14 tion in accordance with subsection (d).

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

18 “(c) AMENDMENT PRACTICE BEFORE THE PATENT
19 TRIAL AND APPEAL BOARD.—

20 “(1) PATENT OWNER’S INITIAL MOTION.—For
21 each challenged claim for which the patent owner
22 seeks to propose a reasonable number of substitute
23 claims, the patent owner shall be required to make
24 a prima facie showing that each substitute claim—

1 “(A) responds to each ground of
2 unpatentability on which the post-grant review
3 was instituted;

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

6 “(C) meets the requirement under sub-
7 section (b) of this section.

8 “(2) NEW EVIDENCE.—

9 “(A) PETITIONER.—The petitioner may re-
10 spond to the patent owner’s initial motion
11 under paragraph (1) by presenting new evi-
12 dence.

13 “(B) PATENT OWNER.—The patent owner
14 shall have at least 1 opportunity to respond to
15 any new evidence presented under subpara-
16 graph (A).

17 “(3) EXPEDITED PATENTABILITY REPORT.—

18 “(A) IN GENERAL.—Upon the filing of a
19 motion under paragraph (1), the Patent Trial
20 and Appeal Board may order an expedited pat-
21 entability report from a patent examiner on a
22 substitute claim.

23 “(B) CONTENTS OF REPORT.—In ordering
24 an expedited patentability report, the Patent
25 Trial and Appeal Board may—

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

4 “(ii) request a non-binding rec-
5 ommendation as to the patentability of a
6 substitute claim.

7 “(C) RIGHT OF REPLY.—Any party to the
8 post-grant review may file supplemental brief-
9 ing, including new evidence, addressing the ex-
10 pedited patentability report.

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

13 “(E) GOOD CAUSE.—The ordering of an
14 expedited patentability report shall constitute
15 good cause, for purposes of section 326(a)(11),
16 to extend the 1-year period for the post-grant
17 review.

18 “(4) ADJUDICATION OF PATENTABILITY.—

19 “(A) NO REBUTTAL.—A patent owner
20 shall be entitled to a substitute claim if the
21 prima facie showing required under paragraph
22 (1) is not rebutted.

23 “(B) ADDITIONAL EVIDENCE.—If addi-
24 tional evidence of record is presented, the pat-
25 ent owner shall be entitled to a substitute claim

1 unless a preponderance of that evidence proves
2 that the patent owner is not so entitled.

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

11 “(6) AMENDMENTS TO ADVANCE SETTLE-
12 MENT.—The Patent Trial and Appeal Board may
13 consider additional motions to amend upon the joint
14 request of the petitioner and the patent owner to
15 materially advance the settlement of a proceeding
16 under section 327 if the patent owner makes the
17 prima facie showing required under paragraph (1).

18 “(d) AMENDMENT PRACTICE BEFORE A PATENT EX-
19 AMINER.—

20 “(1) MOTION TO CONVERT TO EXPEDITED PGR
21 EXAMINATION.—

22 “(A) IN GENERAL.—If the Director deter-
23 mines to institute a post-grant review on a chal-
24 lenged claim under section 324, a patent owner
25 may, before any further substantive briefing on

1 the patentability of an instituted claim, move to
2 terminate the post-grant review in favor of an
3 expedited PGR reexamination under paragraph
4 (2) of this subsection.

5 “(B) CONTENTS OF MOTION.—A patent
6 owner shall be required to show good cause for
7 why an expedited PGR reexamination would
8 further the goals of the patent system, includ-
9 ing consideration of whether there are substan-
10 tial—

11 “(i) investments in research directly
12 related to the claimed invention;

13 “(ii) secondary indicia of non-obvious-
14 ness, such as commercial success, long-felt
15 but unsolved needs, or failures of persons
16 skilled in the art to develop the claimed in-
17 vention; or

18 “(iii) changes in case law governing
19 relevant substantive patentability require-
20 ments since the patent was issued.

21 “(C) NEW EVIDENCE ALLOWED.—The
22 opening motion and opposition briefs under this
23 paragraph may include new evidence, and fur-
24 ther rebuttal evidence may be allowed by the
25 Patent Trial and Appeal Board.

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

3 “(A) IN GENERAL.—If the Patent Trial
4 and Appeal Board grants a motion filed under
5 paragraph (1), the patent owner shall cancel
6 each instituted claim and submit a reasonable
7 number of substitute claims for consideration
8 by the patent examiner in an expedited PGR
9 examination under this paragraph.

10 “(B) TIMING.—A patent examiner shall
11 complete an expedited PGR examination, ex-
12 cluding any time for appeals, within 18 months
13 after the date on which any substitute claim is
14 submitted under subparagraph (A).

15 “(C) PROCEDURES.—Consideration of the
16 substitute claims in an expedited PGR examina-
17 tion shall follow the procedures established for
18 initial examination under sections 132 and 133,
19 subject to subsection (b) of this section and
20 modified as necessary to ensure that the proce-
21 dures are expedited.

22 “(D) APPEAL.—

23 “(i) PATENT EXAMINER DECISION.—
24 If the final decision of a patent examiner
25 in an expedited PGR examination is ad-

1 verse to the patentability of a substitute
2 claim, the patent owner may appeal the de-
3 cision to the Patent Trial and Appeal
4 Board under section 134(c).

5 “(ii) PATENT TRIAL AND APPEAL
6 BOARD DECISION.—If the final decision in
7 an appeal of an expedited PGR reexamina-
8 tion to the Patent Trial and Appeal Board
9 under section 134(c) is adverse to the pat-
10 entability of a substitute claim, the patent
11 owner may appeal the decision to the
12 United States Court of Appeals for the
13 Federal Circuit in accordance with sections
14 141 through 144.

15 “(E) CERTIFICATE.—If the patent exam-
16 iner determines in an expedited PGR examina-
17 tion that a substitute claim is patentable, and
18 the time for appeal has expired or any appeal
19 proceeding has terminated, the Director shall
20 issue and publish a certificate incorporating in
21 the patent the substitute claim.

22 “(F) INTERVENING RIGHTS.—Any sub-
23 stitute claim determined to be patentable and
24 incorporated into a patent following an expe-
25 dited PGR examination shall have the same ef-

1 fect as that specified in section 252 for reissued
2 patents on the right of any person who made,
3 purchased, or used within the United States, or
4 imported into the United States, anything pat-
5 ented by the substitute claim, or who made sub-
6 stantial preparation therefor, prior to issuance
7 of a certificate under subparagraph (E).”.

8 (2) TECHNICAL AND CONFORMING AMEND-
9 MENTS.—

10 (A) EXPEDITED PGR EXAMINATION AP-
11 PEALS.—

12 (i) APPEALS TO PATENT TRIAL AND
13 APPEAL BOARD.—Section 134 of title 35,
14 United States Code, as amended by section
15 102(i)(2), is further amended by adding at
16 the end the following new subsection:

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

23 (ii) APPEALS TO FEDERAL CIRCUIT.—

24 Section 141 of title 35, United States

1 Code, as amended by section 102(i)(2), is
2 further amended—

3 (I) by redesignating subsections
4 (d) and (e) as subsections (e) and (f);
5 and

6 (II) by inserting after subsection
7 (c) the following new subsection:

8 “(d) EXPEDITED PGR EXAMINATIONS.—A patent
9 owner who is dissatisfied with the final decision in an ap-
10 peal to the Patent Trial and Appeal Board under section
11 134(e) of an expedited PGR examination may appeal the
12 Board’s decision to the United States Court of Appeals
13 for the Federal Circuit.”.

14 (B) CONDUCT OF POST-GRANT REVIEW.—
15 Section 326 of title 35, United States Code, is
16 amended—

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

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

21 (iii) by redesignating subsection (e) as
22 subsection (d).

23 (C) DECISION OF THE BOARD.—Section
24 328(a) of title 35, United States Code, is
25 amended—

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

4 (ii) by striking “section 326(d)” and
5 inserting “section 326A”.

6 (D) TABLE OF SECTIONS.—The table of
7 sections for chapter 32 of title 35, United
8 States Code, is amended by inserting after the
9 item relating to section 326 the following new
10 item:

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

11 **SEC. 104. COMPOSITION OF POST-GRANT REVIEW AND**
12 **INTER PARTES REVIEW PANELS.**

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

15 “(c) 3-MEMBER PANELS.—

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

21 “(2) INELIGIBILITY TO HEAR REVIEW.—A
22 member of the Patent Trial and Appeal Board who
23 participates in the decision to institute a post-grant
24 review or an inter partes review of a patent shall be
25 ineligible to hear the review.

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

3 **SEC. 105. REEXAMINATION OF PATENTS.**

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

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

8 “Any person at any time may file a request for reex-
9 amination by the Office of any claim of a patent on the
10 basis of any prior art cited under the provisions of section
11 301. The request must be in writing and must be accom-
12 panied by payment of a reexamination fee established by
13 the Director pursuant to the provisions of section 41. The
14 request must identify all real parties in interest and certify
15 that reexamination is not barred under section 303(d).
16 The request must set forth the pertinency and manner of
17 applying cited prior art to every claim for which reexam-
18 ination is requested. Unless the requesting person is the
19 owner of the patent, the Director promptly will send a
20 copy of the request to the owner of record of the patent.”.

21 (b) REEXAMINATION BARRED BY CIVIL ACTION.—
22 Section 303 of title 35, United States Code, is amended
23 by adding at the end the following new subsection:

24 “(d) An ex parte reexamination may not be instituted
25 if the request for reexamination is filed more than 1 year

1 after the date on which the requester or a real party in
2 interest or privy of the requester is served with a com-
3 plaint alleging infringement of the patent.”.

4 **SEC. 106. RESTORATION OF PATENTS AS PROPERTY**
5 **RIGHTS.**

6 Section 283 of title 35, United States Code, is
7 amended—

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

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

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

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

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

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

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

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

22 (1) in subsection (a), by striking “All fees” and
23 inserting “FEES FOR SERVICE BY PTO.—All fees”;

24 (2) in subsection (b)—

1 (A) by striking “All fees” and inserting
2 “‘INNOVATION PROMOTION FUND.—All fees’”;
3 and

4 (B) by striking “Patent and Trademark
5 Office Appropriation Account” and inserting
6 “United States Patent and Trademark Office
7 Innovation Promotion Fund”;

8 (3) in subsection (c)—

9 (A) by striking “(c)” and inserting “(c)
10 COLLECTION OF FUNDS FOR PTO ACTIVI-
11 TIES.”

12 (B) in paragraph (1)—

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

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

22 (C) by striking paragraph (2); and

23 (D) by redesignating paragraph (3) as
24 paragraph (2);

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

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

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

4 (7) 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 the 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 new paragraph:

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 such an institution of
24 higher education; 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 the enactment of this Act, the Di-
5 rector of the Administrative Office of the United
6 States Courts shall designate not fewer than 6 of the
7 district 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 the enact-
16 ment of this Act, each district court designated
17 under paragraph (1) shall develop procedures for ex-
18 pediting cases in which an individual or small busi-
19 ness 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 new paragraph:

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 appropriate
4 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 result
9 of such violation.

10 (2) MAXIMUM CIVIL PENALTY.—Notwithstanding
11 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 section
15 202.

16 (3) INTERVENTION BY THE FTC.—

17 (A) NOTICE AND INTERVENTION.—The attorney
18 general of a State shall provide prior
19 written notice of any action under paragraph
20 (1) to the Commission and provide the Commission
21 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-

1 tuting such action. The Commission shall have
2 the right—

3 (i) to intervene in the action;

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

6 (iii) to file petitions for appeal.

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

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

22 (A) conduct investigations;

23 (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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