1. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE Conyers OF Michigan, OR HIS DESIGNEE, DEBATABLE FOR 20 MINUTES:

17
Second Revision

AMENDMENT TO H.R. 1908, AS REPORTED

OFFERED BY MR. CONYERS OF MICHIGAN, MR. SMITH OF TEXAS, MR. BERMAN OF CALIFORNIA, AND MR. COBLE OF NORTH CAROLINA

Page 3, strike lines 22 through 25.

Page 3, line 21, insert quotation marks and a second period after "patent.".

Page 10, strike line 24 and all that follows through page 11, line 2, and insert the following:

1 (i) ACTION FOR CLAIM TO PATENT ON DERIVED IN-
2 VENTION.—Section 135 is amended to read as follows:
3 **"§ 135. Derivation proceedings".**

Page 11, lines 14 and 15, strike "Any such request—" and insert the following:

4 "(B) REQUIREMENTS FOR REQUEST.—Any
5 request under subparagraph (A)—".

Page 12, line 3, strike "(B)" and insert "(C)".

Page 12, line 8, strike "under section 101".

Page 13, line 16, strike the quotation marks and second period.

Page 13, insert the following after line 16:

1 "(b) SETTLEMENT.—Parties to a derivation pro-
2 ceeding may terminate the proceeding by filing a written
3 statement reflecting the agreement of the parties as to the
4 correct inventors of the claimed invention in dispute. Un-
5 less the Patent Trial and Appeal Board finds the agree-
6 ment to be inconsistent with the evidence of record, it shall
7 take action consistent with the agreement. Any written
8 settlement or understanding of the parties shall be filed
9 with the Director. At the request of a party to the pro-
10 ceeding, the agreement or understanding shall be treated
11 as business confidential information, shall be kept sepa-
12 rate from the file of the involved patents or applications,
13 and shall be made available only to Government agencies
14 on written request, or to any person on a showing of good
15 cause.

16 "(c) ARBITRATION.—Parties to a derivation pro-
17 ceeding, within such time as may be specified by the Di-
18 rector by regulation, may determine such contest or any
19 aspect thereof by arbitration. Such arbitration shall be
20 governed by the provisions of title 9 to the extent such
21 title is not inconsistent with this section. The parties shall
22 give notice of any arbitration award to the Director, and

1 such award shall, as between the parties to the arbitration,
2 be dispositive of the issues to which it relates. The arbitra-
3 tion award shall be unenforceable until such notice is
4 given. Nothing in this subsection shall preclude the Direc-
5 tor from determining patentability of the invention in-
6 volved in the derivation proceeding.".

Page 13, strike line 17 and all that follows through page 15, line 8.

Page 17, line 10, insert "with respect to an application for patent filed" after "commenced".

Page 17, lines 21 and 22, strike "transmits to the Congress a finding" and insert "issues an Executive order containing the President's finding".

Page 18, insert the following after line 23:

7 (3) RETENTION OF INTERFERENCE PROCE-
8 DURES WITH RESPECT TO APPLICATIONS FILED BE-
9 FORE EFFECTIVE DATE.—In the case of any applica-
10 tion for patent that is filed before the effective date
11 under paragraph (1)(A), the provisions of law re-
12 pealed or amended by subsections (h), (i), and (j)
13 shall apply to such application as such provisions of
14 law were in effect on the day before such effective
15 date.

Page 21, lines 24 and 25, strike "is under an obligation of assignment of" and insert "has assigned rights in".

Page 24, strike line 23 and all that follows through page 25, line 13 and redesignate the succeeding subsections accordingly.

Page 27, line 13, strike "(5)" and insert "(4)".

Page 27, line 21, strike "The court" and insert "Upon a showing to the satisfaction of the court that a reasonable royalty should be based on a portion of the value of the infringing product or process, the court".

Page 28, lines 5 and 6, strike "Unless the claimant shows" and insert "Upon a showing to the satisfaction of the court".

Page 28, line 9, strike "may not" and insert "may".

Page 28, strike line 12 and all that follows through page 29, line 2, and insert the following:

1 "(4) OTHER FACTORS.—If neither paragraph
2 (2) or (3) is appropriate for determining a reason-
3 able royalty, the court may consider, or direct the
4 jury to consider, the terms of any nonexclusive mar-
5 ketplace licensing of the invention, where appro-

1 priate, as well as any other relevant factors under
2 applicable law.
3 "(5) COMBINATION INVENTIONS.—For pur-
4 poses of paragraphs (2) and (3), in the case of a
5 combination invention the elements of which are
6 present individually in the prior art, the patentee
7 may show that the contribution over the prior art
8 may include the value of the additional function re-
9 sulting from the combination, as well as the en-
10 hanced value, if any, of some or all of the prior art
11 elements resulting from the combination.";

Page 31, line 17, strike "The court's" and all that follows through "jury." on line 19.

Page 31, strike line 23 and all that follows through the matter following line 17 on page 33 and insert the following:

12 (b) REPORT TO CONGRESSIONAL COMMITTEES.—Not
13 later than June 30, 2009, the Under Secretary of Com-
14 merce for Intellectual Property and Director of the United
15 States Patent and Trademark Office (in this subsection
16 referred to as the "Director") shall report to the Com-
17 mittee on the Judiciary of the House of Representatives
18 and the Committee on the Judiciary of the Senate the
19 findings and recommendations of the Director on the oper-

1 ation of prior user rights in selected countries in the in-
2 dustrialized world. The report shall include the following:
3 (1) A comparison between the patent laws of
4 the United States and the laws of other industri-
5 alized countries, including the European Union,
6 Japan, Canada, and Australia.
7 (2) An analysis of the effect of prior user rights
8 on innovation rates in the selected countries.
9 (3) An analysis of the correlation, if any, be-
10 tween prior user rights and start-up enterprises and
11 the ability to attract venture capital to start new
12 companies.
13 (4) An analysis of the effect of prior user
14 rights, if any, on small businesses, universities, and
15 individual inventors.
16 (5) An analysis of any legal or constitutional
17 issues that arise from placing elements of trade se-
18 cret law, in the form of prior user rights, in patent
19 law.
20 In preparing the report, the Director shall consult with
21 the Secretary of State and the Attorney General of the
22 United States.

Page 33, line 18, strike "(d)" and insert "(e)".

Page 33, line 21, strike "(e)" and insert "(d)".

Page 36, lines 22 and 23, strike "cited by or to the Office or".

Page 39, line 10, strike "grant of the patent or issuance of" and insert "issuance of the patent or".

Page 39, strike line 21 and all that follows through page 40, line 2 and insert the following:

1 "(3) for each claim sought to be canceled, the
2 petition sets forth in writing the basis for cancella-
3 tion and provides the evidence in support thereof, in-
4 cluding copies of patents and printed publications,
5 or written testimony of a witness attested to under
6 oath or declaration by the witness, or any other in-
7 formation that the Director may require by regula-
8 tion.; and

Page 40, lines 3 and 4, strike "those documents" and insert "the petition, including any evidence submitted with the petition and any other information submitted under paragraph (3),".

Page 41, add the following after line 25:

9 In carrying out paragraph (3), the Director shall bear in
10 mind that discovery must be in the interests of justice.

Page 44, lines 23 and 24, strike "with respect to" and insert "addressing".

Page 46, line 1, strike "of administrative patent judges".

Page 46, line 18, strike "**pending**".

Page 46, line 23, insert "with respect to an application for patent filed" after "commenced".

Page 47, line 5, insert "of a patent" after "infringement".

Page 47, line 7, insert after "patentability" the following: "raised against the patent in a petition for post-grant review".

Page 47, insert the following after line 7:

1 "(c) EFFECT OF COMMENCEMENT OF PRO-
2 CEEDING.—The commencement of a post-grant review
3 proceeding—
4 "(1) shall not limit in any way the right of the
5 patent owner to commence an action for infringe-
6 ment of the patent; and
7 "(2) shall not be cited as evidence relating to
8 the validity of any claim of the patent in any pro-
9 ceeding before a court or the International Trade
10 Commission concerning the patent.

Page 48, line 14, strike "or".

Page 48, line 17, strike the period and insert "; or".

Page 48, insert the following after line 17:

1 "(5) assert the invalidity of any such claim in
2 defense to an action brought under section 337 of
3 the Tariff Act of 1930 (19 U.S.C. 1337).

Page 49, line 18, strike "subsection (f)" and insert "subsections (f) and (g)".

Page 49, strike lines 21 and 22 and insert the following:

4 (j) REGULATIONS.—The Under Secretary of

Page 49, lines 23 through 25, and page 50, lines 1 through 4, move the text 2 ems to the left.

Page 50, strike lines 5 through 15.

Page 51, lines 3 through 5, strike "The Director, the Deputy, the Commissioner for Patents, and the Commissioner for Trademarks, and the" and insert "The".

Page 51, line 9, strike "Director" and insert "Secretary of Commerce".

Page 54, line 18, strike "and".

Page 54, line 21, strike the 2 periods and quotation marks and insert "; and".

Page 54, insert the following after line 21:

1 "(D) identify the real party-in-interest
2 making the submission.".

Page 57, strike line 12 and all that follows through page 59, line 7, and insert the following:

3 "(b) In any civil action arising under any Act of Con-
4 gress relating to patents, a party shall not manufacture
5 venue by assignment, incorporation, joinder, or otherwise
6 primarily to invoke the venue of a specific district court.
7 "(c) Notwithstanding section 1391 of this title, ex-
8 cept as provided in paragraph (3) of this subsection, any
9 civil action for patent infringement or any action for de-
10 claratory judgment relating to a patent may be brought
11 only in a judicial district—
12 "(1) where the defendant has its principal place
13 of business or is incorporated, or, for foreign cor-
14 porations with a United States subsidiary, where the
15 defendant's primary United States subsidiary has its
16 principal place of business or is incorporated;
17 "(2) where the defendant has committed a sub-
18 stantial portion of the acts of infringement and has
19 a regular and established physical facility that the
20 defendant controls and that constitutes a substantial
21 portion of the defendant's operations;

1 "(3) for cases involving only foreign defendants
2 with no United States subsidiary, according to sec-
3 tion 1391(d) of this title;
4 "(4) where the plaintiff resides, if the plaintiff
5 is—
6 "(A) an institution of higher education as
7 defined under section 101(a) of the Higher
8 Education Act of 1965 (20 U.S.C. section
9 1001(a)); or
10 "(B) a nonprofit organization that—
11 "(i) is described in section 501(c)(3)
12 of the Internal Revenue Code of 1986;
13 "(ii) is exempt from taxation under
14 section 501(a) of such Code; and
15 "(iii) serves primarily as the patent
16 and licensing organization for an institu-
17 tion of higher education as defined under
18 section 101(a) of the Higher Education
19 Act of 1965 (20 U.S.C. 1001(a));
20 "(5) where the plaintiff or a subsidiary has a
21 place of business that is engaged in substantial—
22 "(A) research and development,
23 "(B) manufacturing activities, or
24 "(C) management of research and develop-
25 ment or manufacturing activities,

1 related to the patent or patents in dispute;
2 "(6) where the plaintiff resides if the plaintiff
3 is named as inventor or co-inventor on the patent
4 and has not assigned, granted, conveyed, or licensed,
5 and is under no obligation to assign, grant, convey,
6 or license, any rights in the patent or in enforcement
7 of the patent, including the results of any such en-
8 forcement; or
9 "(7) where any of the defendants has substan-
10 tial evidence and witnesses if there is no other dis-
11 trict in which the action may be brought under this
12 section.".

Page 60, strike lines 1 through 3 and insert the following:

13 (c) EFFECTIVE DATE.—
14 (1) IN GENERAL.—The amendments made by
15 this section—
16 (A) shall take effect on the date of the en-
17 actment of this Act; and
18 (B) shall apply to any civil action com-
19 menced on or after such date of enactment.
20 (2) PENDING CASES.—Any case commenced in
21 a United States district court on or after September
22 7, 2007, in which venue is improper under section
23 1400 of title 28, United States Code, as amended by

1 this section, shall be transferred pursuant to section
2 1404 of such title, unless—
3 (A) one or more substantive rulings on the
4 merits, or other substantial litigation, has oc-
5 curred; and
6 (B) the court finds that transfer would not
7 serve the interests of justice.

Page 60, line 10, strike "shall" and insert "may".

Page 60, line 12, insert after "patentability." the following: "If the Director requires a search report to be submitted by applicants, and an applicant does not itself perform the search, the search must be performed by one or more individuals who are United States citizens or by a commercial entity that is organized under the laws of the United States or any State and employs United States citizens to perform such searches.".

Page 60, line 14, strike "the required search report, information, and" and insert "a search report, information, or an".

Page 60, line 16, add after the period the following: "Any search report required by the Director may not substitute in any way for a search by an examiner of the prior art during examination.".

Page 63, strike line 19 and all that follows through line 15 on page 65 and insert the following:

1 "(1) DEFENSE.—One or more claims of a pat-
2 ent may be held to be unenforceable, or other rem-
3 edy imposed under paragraph (4), for inequitable
4 conduct only if it is established, by clear and con-
5 vincing evidence, that a person with a duty of disclo-
6 sure to the Office, with the intent to mislead or de-
7 ceive the patent examiner, misrepresented or failed
8 to disclose material information to the examiner dur-
9 ing examination of the patent.
10 "(2) MATERIALITY.—
11 "(A) IN GENERAL.—Information is mate-
12 rial under this section if—
13 "(i) a reasonable examiner would have
14 made a prima facie finding of
15 unpatentability, or maintained a finding of
16 unpatentability, of one or more of the pat-
17 ent claims based on the information, and
18 the information is not cumulative to infor-
19 mation already of record or previously con-
20 sidered by the Office;or
21 "(ii) information that is otherwise ma-
22 terial refutes or is inconsistent with a posi-
23 tion the applicant takes in opposing a re-

1 jection of the claim or in asserting an ar-
2 gument of patentability.
3 "(B) PRIMA FACIE FINDING.—A prima
4 facie finding of unpatentability under this sec-
5 tion is shown if a reasonable examiner, based
6 on a preponderance of the evidence, would con-
7 clude that the claim is unpatentable based on
8 the information misrepresented or not disclosed,
9 when that information is considered alone or in
10 conjunction with other information or record. In
11 determining whether there is a prima facie find-
12 ing of unpatentability, each term in the claim
13 shall be given its broadest reasonable construc-
14 tion consistent with the specification, and re-
15 buttal evidence shall not be considered.
16 "(3) INTENT.—To prove a person with a duty
17 of disclosure to the Office intended to mislead or de-
18 ceive the examiner under paragraph (1), specific
19 facts beyond materiality of the information misrepre-
20 sented or not disclosed must be proven that establish
21 the intent of the person to mislead or deceive the ex-
22 aminer by the actions of the person. Facts support
23 an intent to mislead or deceive if they show cir-
24 cumstances that indicate conscious or deliberate be-
25 havior on the part of the person to not disclose ma-

1 terial information or to submit false material infor-
2 mation in order to mislead or deceive the examiner.
3 Circumstantial evidence may be used to prove that
4 a person had the intent to mislead or deceive the ex-
5 aminer under paragraph (1).
6 "(4) REMEDY.—Upon a finding of inequitable
7 conduct, the court shall balance the equities to de-
8 termine which of the following remedies to impose:
9 "(A) Denying equitable relief to the patent
10 holder and limiting the remedy for infringement
11 to reasonable royalties.
12 "(B) Holding the claims-in-suit, or the
13 claims in which inequitable conduct occurred,
14 unenforceable.
15 "(C) Holding the patent unenforceable.
16 "(D) Holding the claims of a related pat-
17 ent unenforceable.
18 "(5) ATTORNEY MISCONDUCT.—Upon a finding
19 of inequitable conduct, if there is evidence that the
20 conduct is attributable to a person or persons au-
21 thorized to practice before the Office, the court shall
22 refer the matter to the Office for appropriate dis-
23 ciplinary action under section 32, and shall order the
24 parties to preserve and make available to the Office

1 any materials that may be relevant to the determina-
2 tion under section 32.".

Page 69, line 17, strike "180 days" and insert "1 year".

Page 71, insert the following after line 6 and redesignate the succeeding section accordingly:

3 **SEC. 17. STUDY ON WORKPLACE CONDITIONS.**
4 The Comptroller General shall, not later than 2 years
5 after the date of the enactment of this Act—
6 (1) conduct a study of workplace conditions for
7 the examiner corps of the United States Patent and
8 Trademark Office, including the effect, if any, of
9 this Act and the amendments made by this Act on—
10 (A) recruitment, retention, and promotion
11 of employees; and
12 (B) workload, quality assurance, and em-
13 ployee grievances; and
14 (2) submit to the Committees on the Judiciary
15 of the House of Representatives and the Senate a
16 report on the results of the study, including any sug-
17 gestions for improving workplace conditions, to-
18 gether with any other recommendations that the
19 Comptroller General has with respect to patent reex-
20 amination proceedings.

Page 71, add the following after line 19:

1 **SEC. 19. SEVERABILITY.**

2 If any provision of this Act or of any amendment or
3 repeals made by this Act, or the application of such a pro-
4 vision to any person or circumstance, is held to be invalid
5 or unenforceable, the remainder of this Act and the
6 amendments and repeals made by this Act, and the appli-
7 cation of this Act and such amendments and repeals to
8 any other person or circumstance, shall not be affected
9 by such holding.