

SA 121. Mr. LEAHY (for himself, Mr. Grassley, Mr. Kyl, and Mr. Whitehouse) proposed an amendment to the bill S. 23, to amend title 35, United States Code, to provide for patent reform; as follows:

On page 1, strike line 5, and insert the following: `` `America Invents Act' ''.

On page 9, line 8, strike ``1 year" and insert ``18 months".

On page 32, strike line 12 and all that follows through page 35, line 2, and insert the following:

SEC. 4. VIRTUAL MARKING AND ADVICE OF COUNSEL.

On page 37, line 1, strike ``(b)" and insert ``(a)".

On page 37, line 20, strike ``(c)" and insert ``(b)".

On page 38, line 3, strike ``(d)" and insert ``(c)".

On page 38, line 13, strike ``(e)" and insert ``(d)".

On page 57, strike lines 17 through 23, and insert the following:

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

On page 59, strike lines 13 through 19.

On page 59, line 20, strike ``(g)" and insert ``(f)".

On page 65, line 21, strike ``18 months" and insert ``1 year".

On page 66, line 3, strike ``18 months" and insert ``1 year".

On page 66, lines 4 and 5, strike ``and shall apply only to patents issued on or after that date." and insert ``and, except as provided in section 18 and in paragraph (3), shall apply only to patents that are described in section 2(o)(1)".

On page 66, line 8, after the period insert the following: ``During the 4 year period following the effective date of subsections (a) and (d), the Director may, in his discretion, continue to apply the provisions of chapter 31 of title 35, United States Code, as amended by paragraph (3), as if subsection (a) had not been enacted to such proceedings instituted under section 314 (as amended by subsection (a)) or under section 324 as are instituted only on the basis of prior art consisting of patents and printed publications.".

On page 69, line 2, strike ``18 months" and insert ``1 year".

On page 69, line 14, strike ``18 months" and insert ``1 year".

On page 74, line 22, strike ``18 months" and insert ``1 year".

On page 75, line 16, strike ``18 months" and insert ``1 year".

On page 75, line 22, strike ``18 months" and insert ``1 year".

On page 76, line 5, strike ``18 months" and insert ``1 year".

On page 77, strike line 23 and all that follows through page 78, line 6.

On page 78, line 7, strike ``(b)" and insert ``(a)".

On page 78, line 20, strike ``(c)" and insert ``(b)".

On page 79, strike lines 1 through 17, and insert the following:

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

On page 79, lines 19-21, strike ``filing, processing, issuing, and maintaining patent applications and patents" and insert: ``filing, searching, examining, issuing, appealing, and maintaining patent applications and patents".

On page 86, between lines 8 and 9, insert the following:

(i) *Reduction in Fees for Small Entity Patents.*--The Director shall reduce fees for providing prioritized examination of utility and plant patent applications by 50 percent for small entities that qualify for reduced fees under section 41(h)(1) of title 35, United States Code, so long as the fees of the prioritized examination program are set to recover the estimated cost of the program.

On page 86, line 9, strike ``(i)" and insert ``(j)".

On page 91, between lines 14 and 15, insert the following:

(b) *No Provision of Facilities Authorized.*--The repeal made by the amendment in subsection (a)(1) shall not be construed to authorize the provision of any court facilities or administrative support services outside of the District of Columbia.

On page 91, line 15, strike "(b)" and insert "(c)".

On page 91, line 23, strike "under either subsection" and all that follows through "shall certify" on page 92, line 2.

On page 92, line 7, before the semicolon insert the following: ", not including applications filed in another country, provisional applications under section 111(b), or international applications filed under the treaty defined in section 351(a) for which the basic national fee under section 41(a) was not paid".

On page 92, between lines 7 and 8, insert the following:

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

On page 92, strike lines 8 through 25.

On page 93, line 1, strike "(3) has not assigned, granted, conveyed, or is" and insert "(4) has not assigned, granted, conveyed, and is not".

On page 93, lines 4 and 5, strike "has 5 or fewer employees and that such entity has" and insert "had".

On page 93, line 7, strike "that does" and all that follows through line 11, and insert the following: "exceeding 3 times the most recently reported median household income, as reported by the Bureau of the Census, in the calendar year preceding the calendar year in which the fee is being paid, other than an entity of higher education where the applicant is not an employee, a relative of an employee, or have any affiliation with the entity of higher education."

On page 93, strike lines 12 through 17, and insert the following:

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

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

On page 94, between lines 18 and 19, insert the following:

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

On page 94, line 19, strike "(c)" and insert "(d)".

On page 103, between lines 11 and 12, insert the following:

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

On page 103, line 12, strike "(c)" and insert "(d)".

On page 105, between lines 22 and 23, insert the following:

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

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

(b) *Transitional Program.*--

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

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

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

(C) A petitioner in a transitional proceeding who challenges the validity of 1 or more claims in a covered business-method patent on a ground raised under section 102 or 103 as in effect on the day prior to the date of enactment of this Act may support such ground only on the basis of--

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

(ii) prior art that--

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

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

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

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

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

(3) **SUNSET.**--

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

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

(c) *Request for Stay.*--

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

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

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

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

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

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

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

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

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

(a) *Authority to Cover Certain Travel Related Expenses.*--Section 2(b)(11) of title 35, United States Code, is amended by inserting " , and the Office is authorized to expend funds to cover the subsistence expenses and travel-related expenses, including per diem, lodging costs ,and transportation costs, of non-federal employees attending such programs" after "world".

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

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

SEC. 20. PATENT AND TRADEMARK OFFICE FUNDING.

(a) *Definitions.*--In this section, the following definitions shall apply:

(1) **DIRECTOR.**--The term "Director" means the Director of the United States Patent and Trademark Office.

(2) **FUND.**--The term "Fund" means the public enterprise revolving fund established under subsection (c).

(3) **OFFICE.**--The term "Office" means the United States Patent and Trademark Office.

(4) **TRADEMARK ACT OF 1946.**--The term "Trademark Act of 1946" means an Act entitled "Act to provide for the registration and