

HC p5,7,8,9,13,14

Leahy -
Grassley -
Kyl

AS MODIFIED

Pending

AMENDMENT NO. _____ Calendar No. _____

Purpose: To improve the bill.

IN THE SENATE OF THE UNITED STATES—112th Cong., 1st Sess.

AMENDMENT N^o 121

To amend **By Leahy - Grassley** it

To: _____

Referred **S. 23** l

Page(s) **21**

_____ (for himself, _____)

Viz:

1 On page 1, strike line 5, and insert the following:
2 “‘America Invents Act’”.

Kyl

3 On page 9, line 8, strike “1 year” and insert “18
4 months”.

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

7 **SEC. 4. VIRTUAL MARKING AND ADVICE OF COUNSEL.**

8 On page 37, line 1, strike “(b)” and insert “(a)”.

- 1 On page 37, line 20, strike “(c)” and insert “(b)”.
- 2 On page 38, line 3, strike “(d)” and insert “(c)”.
- 3 On page 38, line 13, strike “(e)” and insert “(d)”.
- 4 On page 57, strike lines 17 through 23, and insert
5 the following:
- 6 “(b) PRELIMINARY INJUNCTIONS.—If a civil action
7 alleging infringement of a patent is filed within 3 months
8 of the grant of the patent, the court may not stay its con-
9 sideration of the patent owner’s motion for a preliminary
10 injunction against infringement of the patent on the basis
11 that a petition for post-grant review has been filed or that
12 such a proceeding has been instituted.”
- 13 On page 59, strike lines 13 through 19.
- 14 On page 59, line 20, strike “(g)” and insert “(f)”.
- 15 On page 65, line 21, strike “18 months” and insert
16 “1 year”.

1 On page 66, line 3, strike "18 months" and insert
2 "1 year".

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

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

18 On page 69, line 2, strike "18 months" and insert
19 "1 year".

20 On page 69, line 14, strike "18 months" and insert
21 "1 year".

1 On page 74, line 22, strike "18 months" and insert
2 "1 year".

3 On page 75, line 16, strike "18 months" and insert
4 "1 year".

5 On page 75, line 22, strike "18 months" and insert
6 "1 year".

7 On page 76, line 5, strike "18 months" and insert
8 "1 year".

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

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

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

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

15 (1) IN GENERAL.—The Director shall have au-
16 thority to set or adjust by rule any fee established,
17 authorized, or charged under title 35, United States

1 Code, and the Trademark Act of 1946 (15 U.S.C.
2 1051 et seq.), notwithstanding the fee amounts es-
3 tablished, authorized, or charged thereunder, for all
4 services performed by or materials furnished by, the
5 Office, provided that patent and trademark fee
6 amounts are in the aggregate set to recover the esti-
7 mated cost to the Office for processing, activities,
8 services, and materials relating to patents and trade-
9 marks, respectively, including proportionate shares
10 of the administrative costs of the Office.

11 On page 86, between lines 8 and 9, insert the fol-
12 lowing:

13 (i) REDUCTION IN FEES FOR SMALL ENTITY PAT-
14 ENTS.—The Director shall reduce fees for providing
15 prioritized examination of utility and plant patent applica-
16 tions by 50 percent for small entities that qualify for re-
17 duced fees under section 41(h)(1) of title 35, United
18 States Code, so long as the fees of the prioritized examina-
19 tion program are set to recover the estimated cost of the
20 program.

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

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".

1 On page 91, between lines 14 and 15, insert the fol-
2 lowing:

3 (b) NO PROVISION OF FACILITIES AUTHORIZED.—

4 The repeal made by the amendment in subsection (a)(1)
5 shall not be construed to authorize the provision of any
6 court facilities or administrative support services outside
7 of the District of Columbia.

8 On page 91, line 15, strike “(b)” and insert “(c)”.

9 On page 91, line 23, strike “under either subsection”
10 and all that follows through “shall certify” on page 92,
11 line 2.

12 On page 92, line 7, before the semicolon insert the
13 following: “, not including applications filed in another
14 country, provisional applications under section 111(b), or
15 international applications filed under the treaty defined in
16 section 351(a) for which the basic national fee under sec-
17 tion 41(a) was not paid”.

18 On page 92, between lines 7 and 8, insert the fol-
19 lowing:

20 “(3) did not in the prior calendar year have a
21 gross income, as defined in section 61(a) of the In-

1 ternal Revenue Code (26 U.S.C. 61(a)), exceeding 3
 2 times the most recently reported median household
 3 income, as reported by the Bureau of Census; and”.

4 On page 92, strike lines 8 through 25.

5 On page 93, line 1, strike “(3) has ^{not} assigned, granted,
 6 conveyed, or is” and insert “(4) has not assigned, granted,
 7 conveyed, and is not”.

8 On page 93, lines 4 and 5, strike “has 5 or fewer
 9 employees and that such entity has” and insert “had”.

10 On page 93, line 7, strike “that does” and all that
 11 follows through line 11, and insert the following: “exceed-
 12 ing 3 times the most recently reported median household
 13 income, as reported by the Bureau of the Census, in the
 14 calendar year preceding the calendar year in which the fee
 15 is being paid, other than an entity of higher education
 16 where the applicant is not an employee.”

*, a relative of an employee, or have any
 affiliation with the entity of higher education*

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

19 “(b) APPLICATIONS RESULTING FROM PRIOR EM-
 20 PLOYMENT.—An applicant is not considered to be named

1 on a previously filed application for purposes of subsection
2 (a)(2) if the applicant has assigned, or is under an obliga-
3 tion by contract or law to assign, all ownership rights in
4 the application as the result of the applicant's previous
5 employment.

6 “(c) FOREIGN CURRENCY EXCHANGE RATE.—If an
7 applicant's or entity's gross income in the preceding year
8 is not in United States dollars, the average currency ex-
9 change rate, as reported by the Internal Revenue Service,
10 during the preceding year shall be used to determine
11 whether the applicant's or entity's gross income exceeds
12 the threshold specified in paragraphs (3) or (4) of sub-
13 section (a).”.

14 On page 94, between lines 18 and 19, insert the fol-
15 lowing:

16 ~~(c) EXCLUSION. This section does not apply to tax~~
17 ~~preparation computer software or financial management~~
18 ~~computer software that is novel and nonobvious as com-~~
19 ~~puter software.~~

20 (c) ~~(X)~~ RULE OF CONSTRUCTION.—Nothing in this sec-
21 tion shall be construed to imply that other business meth-
22 ods are patentable or that other business-method patents
23 are valid.

1 On page 94, line 19, strike “(c)” and insert “^(d)~~(c)~~”.

2 On page 103, between lines 11 and 12, insert the fol-
3 lowing:

4 “(c) DERIVATIVE JURISDICTION NOT REQUIRED.—
5 The court to which a civil action is removed under this
6 section is not precluded from hearing and determining any
7 claim in such civil action because the State court from
8 which such civil action is removed did not have jurisdiction
9 over that claim.”.

10 On page 103, line 12, strike “(c)” and insert “(d)”.

11 On page 105, between lines 22 and 23, insert the fol-
12 lowing:

13 **SEC. 18. TRANSITIONAL PROGRAM FOR COVERED BUSI-**
14 **NESS-METHOD PATENTS.**

15 (a) REFERENCES.—Except as otherwise expressly
16 provided, wherever in this section language is expressed
17 in terms of a section or chapter, the reference shall be
18 considered to be made to that section or chapter in title
19 35, United States Code.

20 (b) TRANSITIONAL PROGRAM.—

21 (1) ESTABLISHMENT.—Not later than 1 year
22 after the date of enactment of this Act, the Director

1 shall issue regulations establishing and implementing
2 a transitional post-grant review proceeding for re-
3 view of the validity of covered business-method pat-
4 ents. The transitional proceeding implemented pur-
5 suant to this subsection shall be regarded as, and
6 shall employ the standards and procedures of, a
7 post-grant review under chapter 32, subject to the
8 following exceptions and qualifications:

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

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

18 (C) A petitioner in a transitional pro-
19 ceeding who challenges the validity of 1 or more
20 claims in a covered business-method patent on
21 a ground raised under section 102 or 103 as in
22 effect on the day prior to the date of enactment
23 of this Act may support such ground only on
24 the basis of—

- 1 (i) prior art that is described by sec-
2 tion 102(a) (as in effect on the day prior
3 to the date of enactment of this Act); or
4 (ii) prior art that—
5 (I) discloses the invention more
6 than 1 year prior to the date of the
7 application for patent in the United
8 States; and
9 (II) would be described by section
10 102(a) (as in effect on the day prior
11 to the date of enactment of this Act)
12 if the disclosure had been made by an-
13 other before the invention thereof by
14 the applicant for patent.
15 (D) The petitioner in a transitional pro-
16 ceeding, or his real party in interest, may not
17 assert either in a civil action arising in whole or
18 in part under section 1338 of title 28, United
19 States Code, or in a proceeding before the
20 International Trade Commission that a claim in
21 a patent is invalid on any ground that the peti-
22 tioner raised during a transitional proceeding
23 that resulted in a final written decision.

1 (E) The Director may institute a transi-
2 tional proceeding only for a patent that is a
3 covered business-method patent.

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

14 (3) SUNSET.—

15 (A) IN GENERAL.—This subsection, and
16 the regulations issued pursuant to this sub-
17 section, are repealed effective on the date that
18 is 4 years after the date that the regulations
19 issued pursuant to paragraph (1) take effect.

20 (B) APPLICABILITY.—Notwithstanding
21 subparagraph (A), this subsection and the regu-
22 lations implemented pursuant to this subsection
23 shall continue to apply to any petition for a
24 transitional proceeding that is filed prior to the

1 date that this subsection is repealed pursuant
2 to subparagraph (A).

3 (c) REQUEST FOR STAY.—

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

9 (A) whether a stay, or the denial thereof,
10 will simplify the issues in question and stream-
11 line the trial;

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

14 (C) whether a stay, or the denial thereof,
15 would unduly prejudice the nonmoving party or
16 present a clear tactical advantage for the mov-
17 ing party; and

18 (D) whether a stay, or the denial thereof,
19 will reduce the burden of litigation on the par-
20 ties and on the court.

21 (2) REVIEW.—A party may take an immediate
22 interlocutory appeal from a district court's decision
23 under paragraph (1). The United States Court of
24 Appeals for the Federal Circuit shall review the dis-

~~shall~~
~~review~~
1
(STET)

1 strict court's decision to ensure consistent application
2 of established precedent, *and such review may be de novo.*

3 (d) DEFINITION.—For purposes of this section, the
4 term “covered business method patent” means a patent
5 that claims a method or corresponding apparatus for per-
6 forming data processing operations utilized in the practice,
7 administration, or management of a financial product or
8 service, except that the term shall not include patents for
9 technological inventions. Solely for the purpose of imple-
10 menting the transitional proceeding authorized by this
11 subsection, the Director shall prescribe regulations for de-
12 termining whether a patent is for a technological inven-
13 tion.

14 (e) RULE OF CONSTRUCTION.—Nothing in this sec-
15 tion shall be construed as amending or interpreting cat-
16 egories of patent-eligible subject matter set forth under
17 section 101.

18 **SEC. 19. TRAVEL EXPENSES AND PAYMENT OF ADMINIS-**
19 **TRATIVE JUDGES.**

20 (a) AUTHORITY TO COVER CERTAIN TRAVEL RE-
21 LATED EXPENSES.—Section 2(b)(11) of title 35, United
22 States Code, is amended by inserting “, and the Office
23 is authorized to expend funds to cover the subsistence ex-
24 penses and travel-related expenses, including per diem,

1 lodging costs ,and transportation costs, of non-federal em-
2 ployees attending such programs” after “world”.

3 (b) PAYMENT OF ADMINISTRATIVE JUDGES.—Sec-
4 tion 3(b) of title 35, United States Code, is amended by
5 adding at the end the following:

6 “(6) ADMINISTRATIVE PATENT JUDGES AND
7 ADMINISTRATIVE TRADEMARK JUDGES.—The Direc-
8 tor has the authority to fix the rate of basic pay for
9 the administrative patent judges appointed pursuant
10 to section 6 of this title and the administrative
11 trademark judges appointed pursuant to section 17
12 of the Trademark Act of 1946 (15 U.S.C. 1067) at
13 not greater than the rate of basic pay payable for
14 Level III of the Executive Schedule. The payment of
15 a rate of basic pay under this paragraph shall not
16 be subject to the pay limitation of section 5306(e)
17 or 5373 of title 5.”.

18 **SEC. 20. PATENT AND TRADEMARK OFFICE FUNDING.**

19 (a) DEFINITIONS.—In this section, the following defi-
20 nitions shall apply:

21 (1) DIRECTOR.—The term “Director” means
22 the Director of the United States Patent and Trade-
23 mark Office.

1 (2) FUND.—The term “Fund” means the pub-
2 lic enterprise revolving fund established under sub-
3 section (c).

4 (3) OFFICE.—The term “Office” means the
5 United States Patent and Trademark Office.

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

14 (5) UNDER SECRETARY.—The term “Under
15 Secretary” means the Under Secretary of Commerce
16 for Intellectual Property.

17 (b) FUNDING.—

18 (1) IN GENERAL.—Section 42 of title 35,
19 United States Code, is amended—

20 (A) in subsection (b), by striking “Patent
21 and Trademark Office Appropriation Account”
22 and inserting “United States Patent and
23 Trademark Office Public Enterprise Fund”;
24 and

1 (B) in subsection (c), in the first sen-
2 tence—

3 (i) by striking “To the extent” and all
4 that follows through “fees” and inserting
5 “Fees”; and

6 (ii) by striking “shall be collected by
7 and shall be available to the Director” and
8 inserting “shall be collected by the Direc-
9 tor and shall be available until expended”.

10 (2) EFFECTIVE DATE.—The amendments made
11 by paragraph (1) shall take effect on the later of—

12 (A) October 1, 2011; or

13 (B) the first day of the first fiscal year
14 that begins after the date of the enactment of
15 this Act.

16 (c) USPTO REVOLVING FUND.—

17 (1) ESTABLISHMENT.—There is established in
18 the Treasury of the United States a revolving fund
19 to be known as the “United States Patent and
20 Trademark Office Public Enterprise Fund”. Any
21 amounts in the Fund shall be available for use by
22 the Director without fiscal year limitation.

23 (2) DERIVATION OF RESOURCES.—There shall
24 be deposited into the Fund on or after the effective
25 date of subsection (b)(1)—

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

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

13 (3) EXPENSES.—Amounts deposited into the
14 Fund under paragraph (2) shall be available, with-
15 out fiscal year limitation, to cover—

16 (A) all expenses to the extent consistent
17 with the limitation on the use of fees set forth
18 in section 42(c) of title 35, United States Code,
19 including all administrative and operating ex-
20 penses, determined in the discretion of the
21 Under Secretary to be ordinary and reasonable,
22 incurred by the Under Secretary and the Direc-
23 tor for the continued operation of all services,
24 programs, activities, and duties of the Office re-
25 lating to patents and trademarks, as such serv-

1 ices, programs, activities, and duties are de-
2 scribed under—

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

4 (ii) the Trademark Act of 1946; and

5 (B) all expenses incurred pursuant to any

6 obligation, representation, or other commitment

7 of the Office.

8 (d) ANNUAL REPORT.—Not later than 60 days after
9 the end of each fiscal year, the Under Secretary and the
10 Director shall submit a report to Congress which shall—

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

15 (2) detail the operating plan of the Office, in-
16 cluding specific expense and staff needs for the up-
17 coming fiscal year;

18 (3) describe the long term modernization plans
19 of the Office;

20 (4) set forth details of any progress towards
21 such modernization plans made in the previous fiscal
22 year; and

23 (5) include the results of the most recent audit
24 carried out under subsection (f).

25 (e) ANNUAL SPENDING PLAN.—

1 (1) IN GENERAL.—Not later than 30 days after
2 the beginning of each fiscal year, the Director shall
3 notify the Committees on Appropriations of both
4 Houses of Congress of the plan for the obligation
5 and expenditure of the total amount of the funds for
6 that fiscal year in accordance with section 605 of the
7 Science, State, Justice, Commerce, and Related
8 Agencies Appropriations Act, 2006 (Public Law
9 109–108; 119 Stat. 2334).

10 (2) CONTENTS.—Each plan under paragraph
11 (1) shall—

12 (A) summarize the operations of the Office
13 for the current fiscal year, including financial
14 details and staff levels with respect to major ac-
15 tivities; and

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

19 (f) AUDIT.—The Under Secretary shall, on an annual
20 basis, provide for an independent audit of the financial
21 statements of the Office. Such audit shall be conducted
22 in accordance with generally acceptable accounting proce-
23 dures.

24 (g) BUDGET.—The Fund shall prepare and submit
25 each year to the President a business-type budget in a

1 manner, and before a date, as the President prescribes by
2 regulation for the budget program.

3 On page 105, line 23, strike "**SEC. 18.**" and insert
4 "**SEC. 21.**".

5 At the end, add the following:

6 **SEC. 22. BUDGETARY EFFECTS.**

7 The budgetary effects of this Act, for the purpose of
8 complying with the Statutory Pay-As-You-Go-Act of 2010,
9 shall be determined by reference to the latest statement
10 titled "Budgetary Effects of PAYGO Legislation" for this
11 Act, submitted for printing in the Congressional Record
12 by the Chairman of the Senate Budget Committee, pro-
13 vided that such statement has been submitted prior to the
14 vote on passage.