

AMENDMENT NO. _____ Calendar No. _____

Purpose: In the nature of a substitute.

IN THE SENATE OF THE UNITED STATES—118th Cong., 2d Sess.

S. 2220

To amend title 35, United States Code, to invest in inventors in the United States, maintain the United States as the leading innovation economy in the world, and protect the property rights of the inventors that grow the economy of the United States, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT IN THE NATURE OF A SUBSTITUTE intended
to be proposed by Mr. COONS

Viz:

1 Strike all after the enacting clause and insert the fol-
2 lowing:

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Promoting and Re-
5 specting Economically Vital American Innovation Leader-
6 ship Act” or the “PREVAIL Act”.

7 **SEC. 2. FINDINGS.**

8 Congress finds the following:

9 (1) The patent property rights enshrined in the
10 Constitution of the United States provide the foun-

1 dation for the exceptional innovation environment in
2 the United States.

3 (2) Reliable and effective patent protection en-
4 courages United States inventors to invest their re-
5 sources in creating new inventions.

6 (3) United States inventors have made discov-
7 eries leading to patient cures, positive changes to the
8 standard of living for all people in the United
9 States, and improvements to the agricultural, tele-
10 communications, and electronics industries, among
11 others.

12 (4) The United States patent system is an es-
13 sential part of the economic success of the United
14 States.

15 (5) Reliable and effective patent protection im-
16 proves the chances of success for individual inven-
17 tors and small companies and increases the chances
18 of securing investments for those inventors and com-
19 panies.

20 (6) Intellectual property-intensive industries in
21 the United States—

22 (A) generate tens of millions of jobs for in-
23 dividuals in the United States; and

24 (B) account for more than $\frac{1}{3}$ of the gross
25 domestic product of the United States.

1 (7) The National Security Commission on Arti-
2 ficial Intelligence has emphasized that—

3 (A) the People’s Republic of China is
4 leveraging and exploiting intellectual property
5 as a critical tool within its national strategies
6 for emerging technologies; and

7 (B) the United States has failed to simi-
8 larly recognize the importance of intellectual
9 property in securing its own national security,
10 economic interests, and technological competi-
11 tiveness.

12 (8) In the highly competitive global economy,
13 the United States needs reliable and effective patent
14 protections to safeguard national security interests
15 and maintain its position as the most innovative
16 country in the world.

17 (9) Congress last enacted comprehensive re-
18 forms of the patent system in 2011.

19 (10) Unintended consequences of the com-
20 prehensive 2011 reform of patent laws have become
21 evident during the decade preceding the date of en-
22 actment of this Act, including the strategic filing of
23 post-grant review proceedings to depress stock prices
24 and extort settlements, the filing of repetitive peti-
25 tions for inter partes and post-grant reviews that

1 have the effect of harassing patent owners, and the
2 unnecessary duplication of work by the district
3 courts of the United States and the Patent Trial
4 and Appeal Board, all of which drive down invest-
5 ment in innovation and frustrate the purpose of
6 those patent reform laws.

7 (11) Efforts by Congress to reform the patent
8 system without careful scrutiny create a serious risk
9 of making it more costly and difficult for innovators
10 to protect their patents from infringement, there-
11 by—

12 (A) disincentivizing United States compa-
13 nies from innovating; and

14 (B) weakening the economy of the United
15 States.

16 **SEC. 3. PATENT TRIAL AND APPEAL BOARD.**

17 Section 6 of title 35, United States Code, is amend-
18 ed—

19 (1) by redesignating subsections (b), (c), and
20 (d) as subsections (c), (d), and (e), respectively;

21 (2) by inserting after subsection (a) the fol-
22 lowing:

23 “(b) CODE OF CONDUCT.—

1 “(1) IN GENERAL.—The Director shall pre-
2 scribe regulations establishing a code of conduct for
3 the members of the Patent Trial and Appeal Board.

4 “(2) CONSIDERATIONS.—In prescribing regula-
5 tions under paragraph (1), the Director shall con-
6 sider the Code of Conduct for United States Judges
7 and how the provisions of that Code of Conduct may
8 apply to the Patent Trial and Appeal Board.”;

9 (3) by striking subsection (d), as so redesign-
10 nated, and inserting the following:

11 “(d) 3-MEMBER PANELS.—

12 “(1) IN GENERAL.—Each appeal, derivation
13 proceeding, post-grant review, and inter partes re-
14 view shall be heard by at least 3 members of the
15 Patent Trial and Appeal Board, who shall be des-
16 ignated by the Director. The Patent Trial and Ap-
17 peal Board may grant rehearings.

18 “(2) CHANGES TO CONSTITUTION OF PANEL.—
19 After the constitution of a panel of the Patent Trial
20 and Appeal Board under this subsection has been
21 made public, any changes to the constitution of that
22 panel, including changes that were made before the
23 constitution of the panel was made public, shall be
24 noted in the record.

1 “(3) NO DIRECTION OR INFLUENCE.—An offi-
2 cer who has supervisory authority or disciplinary au-
3 thority with respect to an administrative patent
4 judge of the Patent Trial and Appeal Board (or a
5 delegate of such an officer), and who is not a mem-
6 ber of a panel described in this subsection, shall re-
7 frain from communications with the panel that di-
8 rect or otherwise influence any merits decision of the
9 panel.

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

15 (4) in subsection (e), as so redesignated—

16 (A) in the first sentence—

17 (i) by striking “this subsection” and
18 inserting “the date of enactment of the
19 Promoting and Respecting Economically
20 Vital American Innovation Leadership
21 Act”;

22 (ii) by striking “by the Director” and
23 inserting “by the Director or the Sec-
24 retary”; and

1 (iii) by inserting “or the Secretary, as
2 applicable,” after “on which the Director”;
3 and

4 (B) in the second sentence—

5 (i) by inserting after “by the Direc-
6 tor” the following: “, or, before the date of
7 enactment of the Promoting and Respect-
8 ing Economically Vital American Innova-
9 tion Leadership Act, having performed du-
10 ties no longer performed by administrative
11 patent judges,”; and

12 (ii) by striking “that the administra-
13 tive patent judge so appointed” and insert-
14 ing “that the applicable administrative pat-
15 ent judge”.

16 **SEC. 4. INTER PARTES REVIEW.**

17 (a) REAL PARTIES IN INTEREST.—Section 311 of
18 title 35, United States Code, is amended by adding at the
19 end the following:

20 “(d) REAL PARTY IN INTEREST.—For purposes of
21 this chapter, a person that, directly or through an affiliate,
22 subsidiary, or proxy, makes a financial contribution to the
23 preparation for, or conduct during, an inter partes review
24 on behalf of a petitioner shall be considered a real party
25 in interest of that petitioner.”.

1 (b) PETITIONER CERTIFICATION AND DIRECTOR DE-
2 TERMINATION.—Section 312(a) of title 35, United States
3 Code, is amended—

4 (1) in paragraph (4), by striking “and” at the
5 end;

6 (2) in paragraph (5), by striking the period at
7 the end and inserting “and”; and

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

9 “(6) the petitioner certifies, and the Director
10 determines, that the petitioner—

11 “(A) is a nonprofit organization that—

12 “(i) is exempt from taxation under
13 section 501(a) of the Internal Revenue
14 Code of 1986, described in section
15 501(e)(3) of such Code, and described in
16 section 170(b)(1)(A) of such Code, other
17 than an organization described in section
18 509(a)(3) of such Code;

19 “(ii) does not have any member,
20 donor, or other funding source that is, or
21 reasonably could be accused of, infringing
22 1 or more claims of the challenged patent;
23 and

24 “(iii) is filing the petition for the sole
25 purpose of ascertaining the patentability of

1 the challenged claims of the patent and not
2 to profit from or fund the operations of the
3 petitioner;

4 “(B) is currently engaging in, or has a
5 bona fide intent to engage in, conduct within
6 the United States that reasonably could be ac-
7 cused of infringing 1 or more claims of the
8 challenged patent;

9 “(C) would have standing to bring a civil
10 action in a court of the United States seeking
11 a declaratory judgment of invalidity with re-
12 spect to 1 or more claims of the challenged pat-
13 ent; or

14 “(D) has been sued in a court of the
15 United States for infringement of the chal-
16 lenged patent.”.

17 (e) INSTITUTION DECISION REHEARING TIMING.—
18 Section 314 of title 35, United States Code, is amended
19 by adding at the end the following:

20 “(e) REHEARING.—Not later than 45 days after the
21 date on which a request for rehearing from a determina-
22 tion by the Director under subsection (b) is filed, the Di-
23 rector shall finally decide any request for reconsideration,
24 rehearing, or review with respect to the determination, ex-

1 cept that the Director may, for good cause shown, extend
2 that 45-day period by not more than 30 days.”.

3 (d) ELIMINATING REPETITIVE PROCEEDINGS.—

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

6 (A) in subsection (b), by amending the sec-
7 ond sentence to read as follows: “The time limi-
8 tation set forth in the preceding sentence shall
9 not bar a request for joinder under subsection
10 (d), but shall establish a rebuttable presump-
11 tion against joinder for the requesting person.”;

12 (B) by redesignating subsections (c), (d),
13 and (e) as subsections (d), (e), and (f), respec-
14 tively;

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

17 “(c) SINGLE FORUM.—

18 “(1) IN GENERAL.—If an inter partes review is
19 instituted challenging the validity of a patent, the
20 petitioner, a real party in interest, or a privy of the
21 petitioner may not file or maintain, in a civil action
22 arising in whole or in part under section 1338 of
23 title 28, or in a proceeding before the International
24 Trade Commission under section 337 of the Tariff
25 Act of 1930 (19 U.S.C. 1337), a claim, a counter-

1 claim, or an affirmative defense challenging the va-
2 lidity of any claim of the patent on any ground de-
3 scribed in section 311(b).

4 “(2) CONSIDERATIONS.—In determining wheth-
5 er to institute a proceeding under this chapter, sub-
6 ject to the provisions of subsections (a)(1) and (g),
7 the Director may not reject a petition requesting an
8 inter partes review on the basis of the petitioner, a
9 real party in interest, or a privy of the petitioner fil-
10 ing or maintaining a claim, a counterclaim, or an af-
11 firmative defense challenging the validity of the ap-
12 plicable patent in any civil action arising in whole or
13 in part under section 1338 of title 28, or in a pro-
14 ceeding before the International Trade Commission
15 under section 337 of the Tariff Act of 1930 (19
16 U.S.C. 1337).”;

17 (D) by amending subsection (d), as so re-
18 designated, to read as follows:

19 “(d) JOINDER.—

20 “(1) IN GENERAL.—If the Director institutes
21 an inter partes review, the Director, in the discretion
22 of the Director, may join as a party to that inter
23 partes review any person that properly files a re-
24 quest to join the inter partes review and a petition
25 under section 311 that the Director, after receiving

1 a preliminary response under section 313 or the ex-
2 piration of the time for filing such a response, deter-
3 mines warrants the institution of an inter partes re-
4 view under section 314.

5 “(2) TIME-BARRED PERSON.—Pursuant to
6 paragraph (1), the Director, in the discretion of the
7 Director, may join as a party to an inter partes re-
8 view a person that did not satisfy the time limitation
9 under subsection (b) that rebuts the presumption
10 against joinder, except that any such person shall
11 not be permitted to serve as the lead petitioner and
12 shall not be permitted to maintain the inter partes
13 review unless a petitioner that satisfied the time lim-
14 itation under subsection (b) remains in the inter
15 partes review.”;

16 (E) by amending subsection (e), as so re-
17 designated, to read as follows:

18 “(e) MULTIPLE PROCEEDINGS.—

19 “(1) IN GENERAL.—Notwithstanding sections
20 135(a), 251, and 252, and chapter 30, after a peti-
21 tion to institute an inter partes review is filed, if an-
22 other proceeding or matter involving the patent is
23 before the Office—

24 “(A) the parties shall notify the Director
25 of that other proceeding or matter—

1 “(i) not later than 30 days after the
2 date of entry of the notice of filing date ac-
3 corded to the petition; or

4 “(ii) if the other proceeding or matter
5 is filed after the date on which the petition
6 to institute an inter partes review is filed,
7 not later than 30 days after the date on
8 which the other proceeding or matter is
9 filed; and

10 “(B) the Director shall issue a decision de-
11 termining the manner in which the inter partes
12 review or other proceeding or matter may pro-
13 ceed, including providing for stay, transfer, con-
14 solidation, or termination of any such matter or
15 proceeding.

16 “(2) CONSIDERATIONS.—In determining wheth-
17 er to institute a proceeding under this chapter, the
18 Director shall, unless the Director determines that
19 the petitioner has demonstrated exceptional cir-
20 cumstances, reject any petition that presents prior
21 art or an argument that is the same or substantially
22 the same as prior art or an argument that previously
23 was presented to the Office.”;

24 (F) by amending subsection (f), as so re-
25 designated, to read as follows:

1 “(f) ESTOPPEL.—

2 “(1) IN GENERAL.—A petitioner that has pre-
3 viously requested an inter partes review of a claim
4 in a patent under this chapter, or a real party in in-
5 terest or a privy of such a petitioner, may not re-
6 quest or maintain another proceeding before the Of-
7 fice with respect to that patent on any ground that
8 the petitioner raised or reasonably could have raised
9 in the petition requesting or during the prior inter
10 partes review, unless—

11 “(A) after the filing of the initial petition,
12 the petitioner, or a real party in interest or a
13 privy of the petitioner, is charged with infringe-
14 ment of additional claims of the patent;

15 “(B) a subsequent petition requests an
16 inter partes review of only the additional claims
17 of the patent that the petitioner, or a real party
18 in interest or a privy of the petitioner, is later
19 charged with infringing; and

20 “(C) that subsequent petition is accom-
21 panied by a request for joinder to the prior
22 inter partes review, which overcomes the rebut-
23 table presumption against joinder set forth in
24 subsection (b), and which the Director shall
25 grant if the Director authorizes an inter partes

1 review to be instituted on the subsequent peti-
2 tion under section 314.

3 “(2) JOINED PARTY.—Any person joined as a
4 party to an inter partes review, and any real party
5 in interest or any privy of such person, shall be es-
6 topped under this subsection and subsections (c)(1)
7 and (e)(2) to the same extent as if that person, real
8 party in interest, or privy had been the first peti-
9 tioner in that inter partes review.”; and

10 (G) by adding at the end the following:

11 “(g) FEDERAL COURT AND INTERNATIONAL TRADE
12 COMMISSION VALIDITY DETERMINATIONS.—An inter
13 partes review of a patent claim may not be instituted or
14 maintained if, in a civil action arising in whole or in part
15 under section 1338 of title 28, or in a proceeding before
16 the International Trade Commission under section 337 of
17 the Tariff Act of 1930 (19 U.S.C. 1337), in which the
18 petitioner, a real party in interest, or a privy of the peti-
19 tioner is a party, the court, or the International Trade
20 Commission, as applicable, has entered a final judgment
21 that decides a challenge to the validity of the patent claim
22 with respect to any ground described in section 311(b).”.

23 (2) TECHNICAL AND CONFORMING AMEND-
24 MENTS.—Section 316(a) of title 35, United States
25 Code, is amended—

1 (A) in paragraph (11), by striking “section
2 315(c)” and inserting “section 315(d)”; and

3 (B) in paragraph (12), by striking “section
4 315(c)” and inserting “section 315(d)”.

5 (e) CONDUCT OF INTER PARTES REVIEW.—Section
6 316 of title 35, United States Code, is amended—

7 (1) in subsection (a)—

8 (A) by redesignating paragraphs (2)
9 through (13) as paragraphs (3) through (14),
10 respectively;

11 (B) by inserting after paragraph (1) the
12 following:

13 “(2) establishing procedures for briefing and
14 limited discovery, at the request and discretion of
15 the Director, for assisting the Director in making a
16 determination under section 312(a)(6);”;

17 (C) by amending paragraph (6), as so re-
18 designated, to read as follows:

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

22 “(A) the deposition of witnesses submitting
23 affidavits or declarations;

24 “(B) evidence identifying the real parties
25 in interest of the petitioner; and

1 “(C) what is otherwise necessary in the in-
2 terest of justice;”;

3 (D) by amending paragraph (10), as so re-
4 designated, to read as follows:

5 “(10) setting forth standards and procedures
6 for—

7 “(A) allowing the patent owner to move to
8 amend the patent under subsection (d) to can-
9 cel a challenged claim or propose a reasonable
10 number of substitute claims;

11 “(B) allowing the Patent Trial and Appeal
12 Board to provide guidance on substitute claims
13 proposed by the patent owner;

14 “(C) allowing the patent owner to further
15 revise proposed substitute claims after the
16 issuance of guidance described in subparagraph
17 (B); and

18 “(D) ensuring that any information sub-
19 mitted by the patent owner in support of any
20 amendment entered under subsection (d), and
21 any guidance issued by the Patent Trial and
22 Appeal Board, is made available to the public
23 as part of the prosecution history of the pat-
24 ent;”;

1 (E) in paragraph (13), as so redesignated,
2 by striking “and” at the end;

3 (F) in paragraph (14), as so redesignated,
4 by striking the period at the end and inserting
5 “; and”; and

6 (G) by adding at the end the following:

7 “(15) setting forth the standards for dem-
8 onstrating exceptional circumstances under sections
9 303(e)(1) and 315(e)(2).”;

10 (2) by amending subsection (e) to read as fol-
11 lows:

12 “(e) EVIDENTIARY STANDARDS.—

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

17 “(2) BURDEN OF PROOF.—In an inter partes
18 review under this chapter—

19 “(A) the petitioner shall have the burden
20 of proving a proposition of unpatentability of a
21 previously issued claim of a patent by clear and
22 convincing evidence; and

23 “(B) the petitioner shall have the burden
24 of persuasion, by a preponderance of the evi-
25 dence, with respect to a proposition of

1 unpatentability for any substitute claim pro-
2 posed by the patent owner.”; and

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

4 “(f) CLAIM CONSTRUCTION.—For the purposes of
5 this chapter—

6 “(1) each challenged claim of a patent, and
7 each substitute claim proposed in a motion to
8 amend, shall be construed as the claim would be
9 construed under section 282(b) in an action to inval-
10 idate a patent, including by construing each such
11 claim in accordance with—

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

16 “(B) the prosecution history pertaining to
17 the patent; and

18 “(2) if a court has previously construed a chal-
19 langed claim of a patent or a challenged claim term
20 in a civil action to which the patent owner was a
21 party, the Office shall consider that claim construc-
22 tion.”.

23 (f) SETTLEMENT.—Section 317(a) of title 35, United
24 States Code, is amended by striking the second sentence.

1 (g) TIMING TO ISSUE TRIAL CERTIFICATE AND DE-
2 CISIONS ON REHEARING.—Section 318 of title 35, United
3 States Code, is amended—

4 (1) in subsection (b), by inserting “, not later
5 than 60 days after the date on which the parties to
6 the inter partes review have informed the Director
7 that the time for appeal has expired or any appeal
8 has terminated,” after “the Director shall”; and

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

10 “(e) REHEARING.—Not later than 90 days after the
11 date on which a request for rehearing of a final written
12 decision issued by the Patent and Trial Appeal Board
13 under subsection (a) is filed, the Board or the Director
14 shall finally decide any request for reconsideration, rehear-
15 ing, or review that is submitted with respect to the deci-
16 sion, except that the Director may, for good cause shown,
17 extend that 90-day period by not more than 60 days.

18 “(f) REVIEW BY DIRECTOR.—

19 “(1) IN GENERAL.—The Director may grant re-
20 hearing, reconsideration, or review of a decision by
21 the Patent Trial and Appeal Board issued under this
22 chapter.

23 “(2) REQUIREMENTS.—Any reconsideration, re-
24 hearing, or review by the Director, as described in

1 paragraph (1), shall be issued in a separate written
2 opinion that—

3 “(A) is made part of the public record; and

4 “(B) sets forth the reasons for the recon-
5 sideration, rehearing, or review of the applicable
6 decision by the Patent Trial and Appeal Board.

7 “(g) RULE OF CONSTRUCTION.—For the purposes of
8 an appeal permitted under section 141, any decision on
9 rehearing, reconsideration, or review of a final written de-
10 cision of the Patent Trial and Appeal Board under sub-
11 section (a) of this section that is issued by the Director
12 shall be deemed to be a final written decision of the Patent
13 Trial and Appeal Board.”.

14 (h) TIMING TO ISSUE DECISIONS ON REMAND.—Sec-
15 tion 319 of title 35, United States Code, is amended—

16 (1) by striking “A party” and inserting the fol-
17 lowing:

18 “(a) IN GENERAL.—A party”; and

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

20 “(b) TIMING ON REMAND AFTER APPEAL.—Not
21 later than 120 days after the date on which a mandate
22 issues from the court remanding to the Patent Trial and
23 Appeal Board after an appeal under subsection (a), the
24 Board or the Director shall finally decide any issue on re-
25 mand, except that the Director may, for good cause

1 shown, extend that 120-day period by not more than 60
2 days.”.

3 **SEC. 5. POST-GRANT REVIEW.**

4 (a) REAL PARTIES IN INTEREST.—Section 321 of
5 title 35, United States Code, is amended by adding at the
6 end the following:

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

13 (b) TIMING TO ISSUE DECISIONS ON REHEARING.—
14 Section 324 of title 35, United States Code, is amended
15 by adding at the end the following:

16 “(f) REHEARING.—Not later than 45 days after the
17 date on which a request for rehearing from a determina-
18 tion by the Director under subsection (c) is filed, the Di-
19 rector shall finally decide any request for reconsideration,
20 rehearing, or review with respect to the determination, ex-
21 cept that the Director may, for good cause shown, extend
22 that 45-day period by not more than 30 days.”.

23 (c) ELIMINATING REPETITIVE PROCEEDINGS.—Sec-
24 tion 325 of title 35, United States Code, is amended—

1 (1) by redesignating subsections (e) through (f)
2 as subsections (d) through (g), respectively;

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

5 “(c) SINGLE FORUM.—

6 “(1) IN GENERAL.—If a post-grant review is in-
7 stituted challenging the validity of a patent, the peti-
8 tioner, a real party in interest, or a privy of the peti-
9 tioner may not file or maintain, in a civil action aris-
10 ing in whole or in part under section 1338 of title
11 28, or in a proceeding before the International
12 Trade Commission under section 337 of the Tariff
13 Act of 1930 (19 U.S.C. 1337), a claim, a counter-
14 claim, or an affirmative defense challenging the va-
15 lidity of any claim of the patent.

16 “(2) CONSIDERATIONS.—In determining wheth-
17 er to institute a proceeding under this chapter, sub-
18 ject to the provisions of subsections (a)(1) and (h),
19 the Director may not reject a petition requesting a
20 post-grant review on the basis of the petitioner, a
21 real party in interest, or a privy of the petitioner fil-
22 ing or maintaining a claim, a counterclaim, or an af-
23 firmative defense challenging the validity of the pat-
24 ent in any civil action arising in whole or in part
25 under section 1338 of title 28, or in a proceeding be-

1 fore the International Trade Commission under sec-
2 tion 337 of the Tariff Act of 1930 (19 U.S.C.
3 1337).”;

4 (3) by amending subsection (e), as so redesign-
5 nated, to read as follows:

6 “(e) MULTIPLE PROCEEDINGS.—

7 “(1) IN GENERAL.—Notwithstanding sections
8 135(a), 251, and 252, and chapter 30, after a peti-
9 tion to institute a post-grant review is filed, if an-
10 other proceeding or matter involving the patent is
11 before the Office—

12 “(A) the parties shall notify the Director
13 of that other proceeding or matter—

14 “(i) not later than 30 days after the
15 date of entry of the notice of filing date ac-
16 corded to the petition; or

17 “(ii) if the other proceeding or matter
18 is filed after the date on which the petition
19 to institute an inter partes review is filed,
20 not later than 30 days after the date on
21 which the other proceeding or matter is
22 filed; and

23 “(B) the Director shall issue a decision de-
24 termining the manner in which the post-grant
25 review or other proceeding or matter may pro-

1 ceed, including providing for stay, transfer, con-
2 solidation, or termination of any such matter or
3 proceeding.

4 “(2) CONSIDERATIONS.—In determining wheth-
5 er to institute a proceeding under this chapter, the
6 Director shall, unless the Director determines that
7 the petitioner has demonstrated exceptional cir-
8 cumstances, reject any petition that presents prior
9 art or an argument that is the same or substantially
10 the same as prior art or an argument that previously
11 was presented to the Office.”;

12 (4) by amending subsection (f), as so redesign-
13 nated, to read as follows:

14 “(f) ESTOPPEL.—

15 “(1) IN GENERAL.—A petitioner that has pre-
16 viously requested a post-grant review of a claim in
17 a patent under this chapter, or a real party in inter-
18 est or a privy of a petitioner, may not request or
19 maintain another proceeding before the Office with
20 respect to that patent on any ground that the peti-
21 tioner raised or reasonably could have raised in the
22 petition requesting or during the prior post-grant re-
23 view, unless—

24 “(A) after the filing of the initial petition,
25 the petitioner, or a real party in interest or a

1 privity of the petitioner, is charged with infringe-
2 ment of additional claims of the patent;

3 “(B) a subsequent petition requests an
4 inter partes review of only the additional claims
5 of the patent that the petitioner, or a real party
6 in interest or a privy of the petitioner, is later
7 charged with infringing; and

8 “(C) that subsequent petition is accom-
9 panied by a request for joinder to the prior
10 post-grant review, which the Director shall
11 grant if the Director authorizes a post-grant re-
12 view to be instituted on the subsequent petition
13 under section 324.

14 “(2) JOINED PARTY.—Any person joined as a
15 party to a post-grant review, and any real party in
16 interest or any privy of such person, shall be es-
17 topped under this subsection and subsections (e)(1)
18 and (e)(2) to the same extent as if that person, real
19 party in interest, or privy had been the first peti-
20 tioner in that post-grant review.”; and

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

22 “(h) FEDERAL COURT AND INTERNATIONAL TRADE
23 COMMISSION VALIDITY DETERMINATIONS.—A post-grant
24 review of a patent claim may not be instituted or main-
25 tained if, in a civil action arising in whole or in part under

1 section 1338 of title 28, or in a proceeding before the
2 International Trade Commission under section 337 of the
3 Tariff Act of 1930 (19 U.S.C. 1337), in which the peti-
4 tioner, a real party in interest, or a privy of the petitioner
5 is a party, the court, or the International Trade Commis-
6 sion, as applicable, has entered a final judgment that de-
7 cides a challenge to the validity of the patent claim.”.

8 (d) CONDUCT OF POST-GRANT REVIEW.—Section
9 326 of title 35, United States Code, is amended—

10 (1) in subsection (a)—

11 (A) by amending paragraph (5) to read as
12 follows:

13 “(5) setting forth standards and procedures for
14 discovery of relevant evidence, including that such
15 discovery shall be limited to—

16 “(A) the deposition of witnesses submitting
17 affidavits or declarations;

18 “(B) evidence identifying the real parties
19 in interest of the petitioner; and

20 “(C) what is otherwise necessary in the in-
21 terest of justice;”;

22 (B) by amending paragraph (9) to read as
23 follows:

24 “(9) setting forth standards and procedures
25 for—

1 “(A) allowing the patent owner to move to
2 amend the patent under subsection (d) to can-
3 cel a challenged claim or propose a reasonable
4 number of substitute claims;

5 “(B) allowing the Patent Trial and Appeal
6 Board to provide guidance on substitute claims
7 proposed by the patent owner;

8 “(C) allowing the patent owner to further
9 revise proposed substitute claims after the
10 issuance of guidance described in subparagraph
11 (B); and

12 “(D) ensuring that any information sub-
13 mitted by the patent owner in support of any
14 amendment entered under subsection (d), and
15 any guidance issued by the Patent Trial and
16 Appeal Board, is made available to the public
17 as part of the prosecution history of the pat-
18 ent;”;

19 (C) in paragraph (11), by striking “section
20 325(c)” and inserting “section 325(d)”;

21 (D) in paragraph (12), by striking the pe-
22 riod at the end and inserting “; and”; and

23 (E) by adding at the end the following:

1 “(13) setting forth the standards for dem-
2 onstrating exceptional circumstances under section
3 325(e)(2).”;

4 (2) by amending subsection (e) to read as fol-
5 lows:

6 “(e) EVIDENTIARY STANDARDS.—

7 “(1) PRESUMPTION OF VALIDITY.—The pre-
8 sumption of validity under section 282(a) shall apply
9 to previously issued claims of a patent that is chal-
10 lenged in a post-grant review under this chapter.

11 “(2) BURDEN OF PROOF.—In a post-grant re-
12 view under this chapter—

13 “(A) the petitioner shall have the burden
14 of proving a proposition of unpatentability of a
15 previously issued claim of a patent by clear and
16 convincing evidence; and

17 “(B) the petitioner shall have the burden
18 of persuasion, by a preponderance of the evi-
19 dence, with respect to a proposition of
20 unpatentability for any substitute claim pro-
21 posed by the patent owner.”; and

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

23 “(f) CLAIM CONSTRUCTION.—For the purposes of
24 this chapter—

1 “(1) each challenged claim of a patent, and
2 each substitute claim proposed in a motion to
3 amend, shall be construed as the claim would be
4 construed under section 282(b) in an action to inval-
5 idate a patent, including by construing each such
6 claim in accordance with—

7 “(A) the ordinary and customary meaning
8 of the claim as understood by a person having
9 ordinary skill in the art to which the claimed
10 invention pertains; and

11 “(B) the prosecution history pertaining to
12 the patent; and

13 “(2) if a court has previously construed a chal-
14 lenged claim of a patent or a challenged claim term
15 in a civil action to which the patent owner was a
16 party, the Office shall consider that claim construc-
17 tion.”.

18 (e) SETTLEMENT.—Section 327(a) of title 35, United
19 States Code, is amended by striking the second sentence.

20 (f) TIMING TO ISSUE TRIAL CERTIFICATES AND DE-
21 CISIONS ON REHEARING.—Section 328 of title 35, United
22 States Code, is amended—

23 (1) in subsection (b), by inserting “, not later
24 than 60 days after the date on which the parties to
25 the post-grant review have informed the Director

1 that the time for appeal has expired or any appeal
2 has terminated,” after “the Director shall”; and

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

4 “(e) REHEARING.—Not later than 90 days after the
5 date on which a request for rehearing of a final written
6 decision issued by the Patent and Trial Appeal Board
7 under subsection (a) is filed, the Board or the Director
8 shall finally decide any request for reconsideration, rehear-
9 ing, or review that is submitted with respect to the deci-
10 sion, except that the Director may, for good cause shown,
11 extend that 90-day period by not more than 60 days.

12 “(f) REVIEW BY DIRECTOR.—

13 “(1) IN GENERAL.—The Director may grant re-
14 hearing, reconsideration, or review of a decision by
15 the Patent Trial and Appeal Board issued under this
16 chapter.

17 “(2) REQUIREMENTS.—Any reconsideration, re-
18 hearing, or review by the Director, as described in
19 paragraph (1), shall be issued in a separate written
20 opinion that—

21 “(A) is made part of the public record; and

22 “(B) sets forth the reasons for the recon-
23 sideration, rehearing, or review of the decision
24 by the Patent Trial and Appeal Board.

1 “(g) RULE OF CONSTRUCTION.—For the purposes of
2 an appeal permitted under section 141, any decision on
3 rehearing, reconsideration, or review of a final written de-
4 cision of the Patent Trial and Appeal Board under sub-
5 section (a) of this section that is issued by the Director
6 shall be deemed to be a final written decision of the Patent
7 Trial and Appeal Board.”.

8 (g) TIMING TO ISSUE DECISIONS ON REMAND.—Sec-
9 tion 329 of title 35, United States Code, is amended—

10 (1) by striking “A party” and inserting the fol-
11 lowing:

12 “(a) IN GENERAL.—A party”; and

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

14 “(b) TIMING ON REMAND AFTER APPEAL.—Not
15 later than 120 days after the date on which a mandate
16 issues from the court remanding to the Patent Trial and
17 Appeal Board after an appeal under subsection (a), the
18 Board or the Director shall finally decide any issue on re-
19 mand, except that the Director may, for good cause
20 shown, extend that 120-day period by not more than 60
21 days.”.

22 **SEC. 6. REEXAMINATION OF PATENTS.**

23 (a) REQUEST FOR REEXAMINATION.—Section 302 of
24 title 35, United States Code, is amended by inserting after
25 the second sentence the following: “The request must

1 identify all real parties in interest and certify that reexam-
2 ination is not barred under section 303(d).”.

3 (b) REEXAMINATION BARRED.—Section 303 of title
4 35, United States Code, is amended—

5 (1) in subsection (a), by striking the third sen-
6 tence; and

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

8 “(d) An ex parte reexamination may not be ordered
9 if the request for reexamination is filed more than 1 year
10 after the date on which the requester or a real party in
11 interest or a privy of the requester is served with a com-
12 plaint alleging infringement of the patent. For purposes
13 of this chapter, a person that directly or through an affil-
14 iate, subsidiary, or proxy makes a financial contribution
15 to the preparation for, or conduct during, an ex parte re-
16 examination on behalf of a requester shall be considered
17 a real party in interest of the requester.

18 “(e) In determining whether to order an ex parte re-
19 examination, the Director—

20 “(1) shall, unless the Director determines that
21 the requestor has demonstrated exceptional cir-
22 cumstances, reject any request that presents prior
23 art or an argument that is the same or substantially
24 the same as prior art or an argument that previously
25 was presented to the Office; and

1 “(2) may reject any request that the Director
2 determines has used a prior Office decision as a
3 guide to correct or bolster a previous deficient re-
4 quest filed under this chapter or a previous deficient
5 petition filed under chapter 31 or 32.”.

6 (c) REEXAMINATION ORDER BY DIRECTOR.—Section
7 304 of title 35, United States Code, is amended, in the
8 first sentence, by inserting after “resolution of the ques-
9 tion” the following: “, unless the Director determines that
10 the request for reexamination should be rejected under
11 subsection (d) or (e) of section 303, in which case the Di-
12 rector shall issue an order denying reexamination”.

13 **SEC. 7. ELIMINATION OF USPTO FEE DIVERSION.**

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

16 (1) in subsection (a), by striking “All fees” and
17 inserting the following:

18 “(a) FEES FOR SERVICE BY PTO.—All fees”;

19 (2) in subsection (b)—

20 (A) by striking “All fees paid to the Direc-
21 tor and all appropriations” and inserting the
22 following:

23 “(b) INNOVATION PROMOTION FUND.—All fees paid
24 to the Director”; and

1 (B) by striking “Patent and Trademark
2 Office Appropriation Account” and inserting
3 “United States Patent and Trademark Office
4 Innovation Promotion Fund”;

5 (3) by striking subsection (c) and inserting the
6 following:

7 “(c) COLLECTION OF FUNDS FOR PTO ACTIVI-
8 TIES.—

9 “(1) IN GENERAL.—Fees authorized in this
10 title or any other Act to be charged or established
11 by the Director shall be collected by the Director
12 and shall be available to the Director until expended
13 to carry out the activities of the Patent and Trade-
14 mark Office.

15 “(2) USE OF FEES.—

16 “(A) PATENT FEES.—Any fees that are
17 collected under this title, and any surcharges on
18 such fees, may only be used for expenses of the
19 Office relating to the processing of patent appli-
20 cations and for other activities, services, and
21 materials relating to patents and to cover a pro-
22 portionate share of the administrative costs of
23 the Office.

24 “(B) TRADEMARK FEES.—Any fees that
25 are collected under section 31 of the Trademark

1 Act of 1946 (as defined in subsection (d)(1))
2 (15 U.S.C. 1113), and any surcharges on such
3 fees, may only be used for expenses of the Of-
4 fice relating to the processing of trademark reg-
5 istrations and for other activities, services, and
6 materials relating to trademarks and to cover a
7 proportionate share of the administrative costs
8 of the Office.”;

9 (4) by redesignating subsections (d) and (e) as
10 subsections (e) and (f), respectively;

11 (5) by inserting after subsection (c) the fol-
12 lowing:

13 “(d) REVOLVING FUND.—

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

15 “(A) the term ‘Fund’ means the United
16 States Patent and Trademark Office Innovation
17 Promotion Fund established under paragraph
18 (2); and

19 “(B) the term ‘Trademark Act of 1946’
20 means the Act entitled ‘An Act to provide for
21 the registration and protection of trademarks
22 used in commerce, to carry out the provisions
23 of certain international conventions, and for
24 other purposes’, approved July 5, 1946 (15
25 U.S.C. 1051 et seq.) (commonly referred to as

1 the ‘Trademark Act of 1946’ or the ‘Lanham
2 Act’).

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

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

10 “(A) this title; or

11 “(B) the Trademark Act of 1946.

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

15 “(A) to the extent consistent with the limi-
16 tation on the use of fees under subsection (c),
17 all expenses, including all administrative and
18 operating expenses, determined by the Director
19 to be ordinary and reasonable, incurred by the
20 Director for the continued operation of all serv-
21 ices, programs, activities, and duties of the Of-
22 fice relating to patents and trademarks, as such
23 services, programs, activities, and duties are de-
24 scribed under—

25 “(i) this title; and

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

2 “(B) all expenses incurred pursuant to any
3 obligation, representation, or other commitment
4 of the Office.”;

5 (6) in subsection (e), as so redesignated, by
6 striking “The Director” and inserting the following:
7 “(e) REFUNDS.—The Director”; and

8 (7) in subsection (f), as so redesignated, by
9 striking “The Secretary” and inserting the fol-
10 lowing:

11 “(f) REPORT.—The Secretary”.

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

14 (1) EFFECTIVE DATE.—The amendments made
15 by subsection (a) shall take effect on the first day
16 of the first fiscal year that begins on or after the
17 date of enactment of this Act.

18 (2) REMAINING BALANCES.—On the effective
19 date described in paragraph (1), there shall be de-
20 posited in the United States Patent and Trademark
21 Office Innovation Promotion Fund established under
22 section 42(d)(2) of title 35, United States Code (as
23 added by subsection (a)), any available unobligated
24 balances remaining in the Patent and Trademark
25 Office Appropriation Account, and in the Patent and

1 Trademark Fee Reserve Fund established under sec-
2 tion 42(c)(2) of title 35, United States Code, as in
3 effect on the day before that effective date.

4 (3) TERMINATION OF RESERVE FUND.—Upon
5 the payment of all obligated amounts in the Patent
6 and Trademark Fee Reserve Fund under paragraph
7 (2), the Patent and Trademark Fee Reserve Fund
8 shall be terminated.

9 **SEC. 8. INSTITUTIONS OF HIGHER EDUCATION.**

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

12 “(d) INSTITUTIONS OF HIGHER EDUCATION.—

13 “(1) DEFINITION.—In this subsection, the term
14 ‘institution of higher education’ has the meaning
15 given the term in section 101(a) of the Higher Edu-
16 cation Act of 1965 (20 U.S.C. 1001(a)).

17 “(2) INCLUSIONS.—For purposes of this sec-
18 tion, a micro entity shall include an applicant who
19 certifies that—

20 “(A) the applicant’s employer, from which
21 the applicant obtains the majority of the appli-
22 cant’s income, is an institution of higher edu-
23 cation;

24 “(B) the applicant has assigned, granted,
25 conveyed, or is under an obligation by contract

1 or law to assign, grant, or convey, a license or
2 other ownership interest in the particular appli-
3 cations to an institution of higher education;

4 “(C) the applicant is an institution of
5 higher education; or

6 “(D) the applicant is an organization de-
7 scribed in section 501(c)(3) of the Internal Rev-
8 enue Code of 1986 and exempt from taxation
9 under section 501(a) of such Code that holds
10 title to patents and patent applications on be-
11 half of an institution of higher education for the
12 purpose of facilitating commercialization of the
13 technologies of the patents and patent applica-
14 tions.”.

15 **SEC. 9. ASSISTING SMALL BUSINESSES IN THE UNITED**
16 **STATES PATENT SYSTEM.**

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

20 (b) SMALL BUSINESS ADMINISTRATION REPORT.—
21 Not later than 1 year after the date of the enactment of
22 this Act, the Administrator of the Small Business Admin-
23 istration, using existing resources, shall submit to the
24 Committee on Small Business and Entrepreneurship of
25 the Senate and the Committee on Small Business of the

