

AMERICA INVENTS ACT

JUNE 1, 2011.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SMITH of Texas, from the Committee on the Judiciary, submitted the following

R E P O R T

together with

DISSENTING VIEWS AND ADDITIONAL VIEWS

[To accompany H.R. 1249]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 1249) to amend title 35, United States Code, to provide for patent reform, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

CONTENTS

	Page
The Amendment	1
Purpose and Summary	38
Background and Need for the Legislation	40
Hearings	57
Committee Consideration	58
Committee Votes	58
Committee Oversight Findings	63
New Budget Authority and Tax Expenditures	63
Congressional Budget Office Cost Estimate	63
Performance Goals and Objectives	73
Advisory on Earmarks	73
Section-by-Section Analysis	73
Agency Views	85
Changes in Existing Law Made by the Bill, as Reported	89
Dissenting Views	162
Additional Views	163

99-006

ceeding “inter partes review.” The Act also makes the following improvements to this proceeding:

- **“Reasonable likelihood of success” for instituting inter partes review.** The threshold for initiating an inter partes review is elevated from “significant new question of patentability”—a standard that currently allows 95% of all requests to be granted—to a standard requiring petitioners to present information showing that their challenge has a reasonable likelihood of success. Satisfaction of the new threshold will be assessed based on the information presented both in the petition for the proceeding and in the patent owner’s response to the petition.
- **“Reasonably could have raised” estoppel applied to subsequent administrative proceedings.** A party that uses inter partes review is estopped from raising in a subsequent PTO proceeding (such as an ex parte reexam or inter partes review) any issue that it raised or reasonably could have raised in the inter partes review.
- **Repeal of the 1999 limit.** The limit on challenging patents issued before 1999 in inter partes reexamination is eliminated; all patents can be challenged in inter partes review.
- **Preponderance burden.** Petitioners bear the burden of proving that a patent is invalid by a preponderance of the evidence in inter partes review.
- **Time limits during litigation.** Parties who want to use inter partes review during litigation are required to seek a proceeding within 12 months of being served with a complaint alleging infringement of the patent, and are barred from seeking or maintaining an inter partes review if they file an action for a declaratory judgment that the patent is invalid.
- **Discovery.** Parties may depose witnesses submitting affidavits or declarations and seek such discovery as the Patent Office determines is otherwise necessary in the interest of justice.
- **12- to 18-month deadline.** Inter partes review must be completed within 1 year of when the proceeding is instituted, except that the Office can extend this deadline by 6 months for good cause.
- **Oral hearing.** Each party has the right to request an oral hearing as part of an inter partes review.
- **Three-judge panels.** Inter partes reviews will be conducted before a panel of three APJs. Decisions will be appealed directly to the Federal Circuit.

The Act also creates a new post-grant opposition procedure that can be utilized during the first 12 months after the grant of a patent or issue of a reissue patent. Unlike reexamination proceedings, which provide only a limited basis on which to consider whether a patent should have issued, the post-grant review proceeding permits a challenge on any ground related to invalidity under section 282. The intent of the post-grant review process is to enable early

challenges to patents, while still protecting the rights of inventors and patent owners against new patent challenges unbounded in time and scope. The Committee believes that this new, early-stage process for challenging patent validity and its clear procedures for submission of art will make the patent system more efficient and improve the quality of patents and the patent system. This new, but time-limited, post-grant review procedure will provide a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court.

In utilizing the post-grant review process, petitioners, real parties in interest, and their privies are precluded from improperly mounting multiple challenges to a patent or initiating challenges after filing a civil action challenging the validity a claim in the patent. Further, a final decision in a post-grant review process will prevent the petitioner, a real party in interest, or its privy from challenging any patent claim on a ground that was raised in the post-grant review process. The post-grant review procedure is not intended, however, to inhibit patent owners from pursuing the various avenues of enforcement of their rights under a patent, and the amendment makes clear that the filing or institution of a post-grant review proceeding does not limit a patent owner from commencing such actions.

The Committee recognizes the importance of quiet title to patent owners to ensure continued investment resources. While this amendment is intended to remove current disincentives to current administrative processes, the changes made by it are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation. Further, such activity would divert resources from the research and development of inventions. As such, the Committee intends for the USPTO to address potential abuses and current inefficiencies under its expanded procedural authority.

Patent Trial and Appeal Board.

The Act renames the Patent Board the “Patent Trial and Appeal Board” and sets forth its duties, which are expanded to include jurisdiction over the new post-grant review and derivation proceedings. This section strikes references to proceedings eliminated by the Act, including interference proceedings, and updates the various appeals statutes.

Preissuance submissions by third parties

After an application is published, members of the public—most likely, a competitor or someone else familiar with the patented invention’s field—may realize they have information relevant to a pending application. The relevant information may include prior art that would prohibit the pending application from issuing as a patent. Current USPTO rules permit the submission of such prior art by third parties only if it is in the form of a patent or publication,⁴³ but the submitter is precluded from explaining why the

⁴³ See 35 C.F.R. § 1.99.

(b) Inter partes review must be sought by a party within 12 months of the date when the party is served with a complaint for infringement. If a patent owner sues for infringement within 3 months of the patent's issue, a pending petition for post-grant review or the institution of such a proceeding may not serve as a basis for staying the court's consideration of the patent owner's motion for a preliminary injunction.

(c) The Director may allow other petitioners to join an inter partes or post-grant review.

(d) The Director may consolidate multiple proceedings or matters concerning the same patent and decline requests for repeated proceedings on the same question.

(e) Inter partes and post-grant petitioners are estopped from raising in a subsequent Office proceeding any issue that they raised or reasonably could have raised in the inter partes or post grant review, and inter partes petitioners are also estopped from raising in civil litigation or an ITC proceeding any issue that they raised or could have raised in the inter partes review. Post-grant petitioners are only estopped from raising in civil litigation or ITC proceedings those issues that they actually raised in the post-grant review.

(f) Post-grant review may not be used to challenge claims in a reissue patent that are the same as or narrower than claims in the original patent if the time for seeking review of the original patent has lapsed.

§§ 316 and 326. (a) The Director shall prescribe regulations that make the file in proceedings public; define standards for instituting reviews; allow submission of additional information; establish and govern review and its relationship to other proceedings; set a time limit for requesting joinder in inter partes review; set standards for discovery; prescribe sanctions for abuse of the proceedings; provide for protective orders for confidential information; allow the patent owner to file a response after an inter partes review has been instituted; allow the patent owner to amend the patent; provide either party with the right to an oral hearing; and set a 1-year time limit for completion of the proceeding, with a 6-month extension for good cause; and provide the petitioner with at least one opportunity to file written comments after the proceeding is instituted.

(b) In prescribing regulations, the Director shall consider the integrity of the patent system and the efficient operation of the Office.

(c) The Patent Trial and Appeal Board shall conduct review proceedings.

(d) The patent owner may submit one amendment with a reasonable number of substitute claims, and additional amendments either as agreed to by the parties for settlement, for good cause shown in post-grant review, or as prescribed in regulations by the Director in inter partes review.

(e) The challenger shall have the burden of providing unpatentability by a preponderance of the evidence.

ing from the date on which the party is served with a complaint for infringement. The length of this deadline is completely arbitrary, and does not account for the complexity of many patent cases that can encompass dozens of patents and defendants and hundreds of separate patent claims. In such complex cases, the 12-month period imposes an extremely compressed schedule that will not provide enough time for the defendants to prepare and file an *inter partes* petition. Instead, the deadline should be tied to substantive progress in patent litigation, such as the entry of an order by the district court construing the relevant patent claims. This would ensure that defendants have an opportunity to prepare legitimate petitions for *inter partes* review based upon the core issues in a patent case.

Second, H.R. 1249 as amended raises the threshold for initiating an *inter partes* review procedure. In order to initiate a review, the Director must find “a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition.” The existing threshold—whether a petition raises a “substantial new question of patentability”—should be maintained instead. As noted above, the overwhelming majority of *inter partes* reexaminations that have been initiated under the current standard have been ultimately deemed meritorious. A stricter threshold is therefore unjustified. Moreover, the practical meaning of the new standard in H.R. 1249 is not clear and creates a risk that the PTO will reject legitimate petitions at the outset of the procedure, without further inquiry.

Because of these provisions, we do not support Sec. 5(a) of H.R. 1249. Several Democratic amendments designed to address these provisions were offered but defeated during the markup of the bill. We believe that, at minimum, in order to preserve the existing utility of *inter partes* reexaminations, current law should be maintained. Ensuring the high caliber of patents circulating in the marketplace inures to the benefit of all Americans by stimulating innovation, encouraging investment and creating jobs. We hope that as H.R. 1249 moves closer to the floor, needed revisions will be made to ensure that *inter partes* reexamination remains a viable, efficient alternative to litigation for weeding out bad patents.

HOWARD L. BERMAN.
MELVIN L. WATT.
ZOE LOFGREN.

○