



July 19, 2007

**Senate Judiciary Committee
Markup of S.1145**

Adopted:

1. 3rd Manager's Amendment (Sen. Leahy) – *7 pages*
2. Inequitable Conduct (Sen. Leahy) – *3 pages*
3. Authority of the Director of the USPTO to Accept Late Filings (Sen. Kennedy) – *4 pages*
4. Limitation on Damages and other Remedies with respect to patents for methods in compliance with check imaging methods - no remedies for infringement (Sen. Sessions) – *3 pages*
5. USPTO Funding - Language Ending Fee Diversion (Sen. Coburn) – *7 pages*

1

AMENDMENT NO. _____ Calendar No. _____

Purpose: To improve the bill.

IN THE SENATE OF THE UNITED STATES—110th Cong., 1st Sess.

S. 1145

To amend title 35, United States Code, to provide for patent reform.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENTS intended to be proposed by Mr. LEAHY

Viz:

- 1 On page 26, between lines 6 and 7, insert the fol-
- 2 lowing:
- 3 “(e) WILLFUL INFRINGEMENT.—
- 4 “(1) INCREASED DAMAGES.—A court that has
- 5 determined that the infringer has willfully infringed
- 6 a patent or patents may increase the damages up to
- 7 three times the amount of damages found or as-
- 8 sessed under subsection (a), except that increased
- 9 damages under this paragraph shall not apply to
- 10 provisional rights under section 154(d).

1 “(2) PERMITTED GROUNDS FOR WILLFUL-
2 NESS.—A court may find that an infringer has will-
3 fully infringed a patent only if the patent owner pre-
4 sents clear and convincing evidence that—

5 “(A) after receiving written notice from
6 the patentee—

7 “(i) alleging acts of infringement in a
8 manner sufficient to give the infringer an
9 objectively reasonable apprehension of suit
10 on such patent, and

11 “(ii) identifying with particularity
12 each claim of the patent, each product or
13 process that the patent owner alleges in-
14 fringes the patent, and the relationship of
15 such product or process to such claim,
16 the infringer, after a reasonable opportunity to
17 investigate, thereafter performed one or more of
18 the alleged acts of infringement;

19 “(B) the infringer intentionally copied the
20 patented invention with knowledge that it was
21 patented; or

22 “(C) after having been found by a court to
23 have infringed that patent, the infringer en-
24 gaged in conduct that was not colorably dif-
25 ferent from the conduct previously found to

1 have infringed the patent, and which resulted in
2 a separate finding of infringement of the same
3 patent.

4 “(3) LIMITATIONS ON WILLFULNESS.—(A) A
5 court may not find that an infringer has willfully in-
6 fringed a patent under paragraph (2) for any period
7 of time during which the infringer had an informed
8 good faith belief that the patent was invalid or unen-
9 forceable, or would not be infringed by the conduct
10 later shown to constitute infringement of the patent.

11 “(B) An informed good faith belief within the
12 meaning of subparagraph (A) may be established
13 by—

14 “(i) reasonable reliance on advice of coun-
15 sel;

16 “(ii) evidence that the infringer sought to
17 modify its conduct to avoid infringement once it
18 had discovered the patent; or

19 “(iii) other evidence a court may find suffi-
20 cient to establish such good faith belief.

21 “(C) The decision of the infringer not to
22 present evidence of advice of counsel is not relevant
23 to a determination of willful infringement under
24 paragraph (2).

1 “(4) LIMITATION ON PLEADING.—Before the
2 date on which a court determines that the patent in
3 suit is not invalid, is enforceable, and has been in-
4 fringed by the infringer, a patentee may not plead
5 and a court may not determine that an infringer has
6 willfully infringed a patent. The court’s determina-
7 tion of an infringer’s willfulness shall be made with-
8 out a jury.”.

9 On page 39, line 17, strike “322” and insert
10 “322(1)”.

11 On page 39, line 18, after the period insert the fol-
12 lowing: “For petitions filed under paragraphs (2) or (3)
13 of section 322, the existence, authentication, availability,
14 and scope of any evidence offered to establish invalidity
15 shall be established by clear and convincing evidence. If
16 such predicate facts are so established, invalidity shall be
17 proven only if the persuasive force of such facts dem-
18 onstrates invalidity by a preponderance of the evidence.”.

19 On page 39, lines 20 and 21, strike “In response to
20 a challenge in a petition” and insert “During a post-grant
21 review proceeding”.

1 On page 43, line 19, strike “145” and insert “144”.

2 On page 44, strike lines 12 through 18, and insert
3 “and shall apply to patents issued on or after that date,
4 except that, in the case of a patent issued before the effec-
5 tive date of this Act on an application filed between No-
6 vember 29, 1999 and the effective date of this Act, a peti-
7 tion for post-grant review under section 321 of title 35,
8 United States Code, may only be filed under paragraph
9 (2) or (3) of section 322 of title 35, United States Code.”.

10 On page 49, line 12, after “incorporated” insert “or
11 formed”.

12 On page 49, lines 14 and 15, strike “is located” and
13 insert “has its principal place of business or is incor-
14 porated or formed”.

15 On page 49, strike lines 21 through 25, and insert
16 the following:

17 “(3) where the primary plaintiff resides, if the
18 primary plaintiff in the action is—

19 “(A) an institution of higher education as
20 defined under section 101(a) of the Higher
21 Education Act of 1965 (20 U.S.C. 1001(a)); or

1 “(B) a nonprofit organization that—

2 “(i) qualifies for treatment under sec-
3 tion 501(c)(3) of the Internal Revenue
4 Code (26 U.S.C. 501(c)(3));

5 “(ii) is exempt from taxation under
6 section 501(a) of such Code; and

7 “(iii) serves as the patent and licens-
8 ing organization for an institution of high-
9 er education as defined under section
10 101(a) of the Higher Education Act of
11 1965 (20 U.S.C. 1001(a)); or

12 On page 50, strike lines 6 through 15, and insert the
13 following:

14 “(d) If a plaintiff brings a civil action for patent in-
15 fringement or declaratory judgment relief under sub-
16 section (c), then the defendant may request the district
17 court to transfer that action to another district or division
18 where, in the court’s determination—

19 “(1) any of the parties has substantial evidence
20 or witnesses that otherwise would present consider-
21 able evidentiary burdens to the defendant if such
22 transfer were not granted;

23 “(2) such transfer would not cause undue hard-
24 ship to the plaintiff; and

1 “(3) venue would be otherwise appropriate
2 under section 1391 of this title.”.

3 On page 55, between lines 24 and 25, insert the fol-
4 lowing:

5 (e) RULE OF CONSTRUCTION.—Nothing in this sec-
6 tion shall be construed to affect any other provision of Di-
7 vision B of Public Law 108-447, including section 801(c)
8 of title VII of the Departments of Commerce, Justice and
9 State, the Judiciary and Related Agencies Appropriations
10 Act, 2005.

11 On page 55, line 25, strike “(e)” and insert “(f)”.

12 On page 62, line 15, before “Patent and” insert
13 “United States”.

2

AMENDMENT NO. _____ Calendar No. _____

Purpose: To establish the burden of proof for any party advancing the proposition that a patent should be cancelled or held unenforceable due to inequitable conduct in any proceeding before the USPTO.

IN THE SENATE OF THE UNITED STATES—110th Cong., 1st Sess.

S. 1145

To amend title 35, United States Code, to provide for patent reform.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. LEAHY

Viz:

- 1 On page 51, after line 24, insert the following:
- 2 **SEC. 16. INEQUITABLE CONDUCT.**
- 3 Chapter 29 of title 35, United States Code, is amend-
- 4 ed by adding at the end the following new section:
- 5 **“§ 298. Inequitable conduct**
- 6 **“(a) IN GENERAL.—A party advancing the propo-**
- 7 **sition that a patent should be cancelled or held unenforce-**
- 8 **able due to inequitable conduct in connection with a mat-**
- 9 **ter or proceeding before the United States Patent and**

1 Trademark Office shall prove independently by clear and
2 convincing evidence that material information was mis-
3 represented or omitted from the patent application with
4 the intention of deceiving the Office.

5 “(b) MATERIALITY.—Information shall be considered
6 material for purposes of subsection (a) if—

7 “(1) a reasonable patent examiner would con-
8 sider such information important in deciding wheth-
9 er to allow the patent application; and

10 “(2) such information is not cumulative to in-
11 formation already of record in the application.

12 “(c) INTENT.—Intent to deceive the Office may be
13 inferred under subsection (a), but the inference may not
14 be based solely on the gross negligence of the patent owner
15 or its representative, or on the materiality of the informa-
16 tion misrepresented or not disclosed.

17 “(d) PLEADING.—In actions involving allegations of
18 inequitable conduct before the Office, the party asserting
19 the defense or claim shall comply with the pleading re-
20 quirements set forth under Federal Rules of Civil Proce-
21 dure 9(b).

22 “(e) REMEDIES.—If the court finds both that mate-
23 rial information was misrepresented to, or withheld from,
24 the Office and an intent to deceive, after balancing the

1 equities, the court, using its discretion, shall impose 1 or
2 more of the following remedies as it deems appropriate:

3 “(1) Hold the patent unenforceable.

4 “(2) Hold 1 or more claims of the patent unen-
5 forceable.

6 “(3) Order that the patentee is not entitled to
7 equitable relief and that the sole and exclusive rem-
8 edy for infringement of the patent shall be a reason-
9 able royalty.”.

3

AMENDMENT NO. _____ Calendar No. _____

Purpose: To amend title 35, United States Code, to allow the Director of the United States Patent and Trademark Office to accept late filings in certain cases of unintentional delay.

IN THE SENATE OF THE UNITED STATES—110th Cong., 1st Sess.

S. 1145

To amend title 35, United States Code, to provide for patent reform.

Referred to the Committee on _____ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. KENNEDY

Viz:

1 On page 59, between lines 2 and 3, insert the fol-
2 lowing:

3 **SEC. 12. AUTHORITY OF THE DIRECTOR OF THE PATENT**
4 **AND TRADEMARK OFFICE TO ACCEPT LATE**
5 **FILINGS.**

6 (a) AUTHORITY.—Section 2 of title 35, United States
7 Code, is amended by adding at the end the following:

8 “(e) DISCRETION TO ACCEPT LATE FILINGS IN CER-
9 TAIN CASES OF UNINTENTIONAL DELAY.—

1 “(1) IN GENERAL.—The Director may accept
2 any application or other filing made by—

3 “(A) an applicant for, or owner of, a pat-
4 ent after the applicable deadline set forth in
5 this title with respect to the application or pat-
6 ent; or

7 “(B) an applicant for, or owner of, a mark
8 after the applicable deadline under the Trade-
9 mark Act of 1946 with respect to the registra-
10 tion or other filing of the mark,

11 to the extent that the Director considers appro-
12 priate, if the applicant or owner files a petition with-
13 in 30 days after such deadline showing, to the satis-
14 faction of the Director, that the delay was uninten-
15 tional.

16 “(2) TREATMENT OF DIRECTOR’S ACTIONS ON
17 PETITION.—If the Director has not made a deter-
18 mination on a petition filed under paragraph (1)
19 within 60 days after the date on which the petition
20 is filed, the petition shall be deemed to be denied. A
21 decision by the Director not to exercise, or a failure
22 to exercise, the discretion provided by this subsection
23 shall not be subject to judicial review.

24 “(3) OTHER PROVISIONS NOT AFFECTED.—
25 This subsection shall not apply to any other provi-

1 sion of this title, or to any provision of the Trade-
2 mark Act of 1946, that authorizes the Director to
3 accept, under certain circumstances, applications or
4 other filings made after a statutory deadline or to
5 statutory deadlines that are required by reason of
6 the obligations of the United States under any trea-
7 ty.

8 “(4) DEFINITION.—In this subsection, the term
9 ‘Trademark Act of 1946’ means the Act entitled An
10 Act to provide for the registration and protection of
11 trademarks used in commerce, to carry out the pro-
12 visions of certain international conventions, and for
13 other purposes., approved July 5, 1946 (15 U.S.C.
14 1051 et seq.).”.

15 (b) APPLICABILITY.—

16 (1) IN GENERAL.—The amendment made by
17 subsection (a) shall apply to any application or other
18 filing that—

19 (A) is filed on or after the date of the en-
20 actment of this Act; or

21 (B) on such date of enactment, is pending
22 before the Director or is subject to judicial re-
23 view.

24 (2) TREATMENT OF PENDING APPLICATIONS
25 AND FILINGS.—In the case of any application or fil-

1 ing described in paragraph (1)(B), the 30-day period
2 prescribed in section 2(e)(1) of title 35, United
3 States Code, as added by subsection (a) of this sec-
4 tion, shall be deemed to be the 30-day period begin-
5 ning on the date of the enactment of this Act.

4

AMENDMENT NO. _____ Calendar No. _____

Purpose: To limit damage and other remedies with respect to patents for check imaging and archival methods.

IN THE SENATE OF THE UNITED STATES—110th Cong., 1st Sess.

S. 1145

To amend title 35, United States Code, to provide for patent reform

Referred to the Committee on _____ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. SESSIONS

Viz:

1 On page 48, between lines 10 and 11, insert the fol-
2 lowing:

3 **SEC. 14. LIMITATION ON DAMAGES AND OTHER REMEDIES**
4 **WITH RESPECT TO PATENTS FOR METHODS**
5 **IN COMPLIANCE WITH CHECK IMAGING**
6 **METHODS.**

7 (a) LIMITATION.—Section 287 of title 35, United
8 States Code, is amended by adding at the end the fol-
9 lowing:

1 “(d)(1) With respect to the use by a financial institu-
2 tion of a check collection system that constitutes an in-
3 fringement under subsection (a) or (b) of section 271, the
4 provisions of sections 281, 283, 284, and 285 shall not
5 apply against the financial institution with respect to such
6 a check collection system.

7 “(2) For the purposes of this subsection—

8 “(A) the term ‘check’ has the meaning given
9 under section 3(6) of the Check Clearing for the
10 21st Century Act (12 U.S.C. 5002(6));

11 “(B) the term ‘check collection system’ means
12 the use, creation, transmission, receipt, storing, set-
13 tling or archiving of truncated checks, substitute
14 checks, check images or electronic check data associ-
15 ated with or related to any method, system, or proc-
16 ess that furthers or effectuates, in whole or in part,
17 any of the purposes of the Check Clearing for the
18 21st Century Act (12 U.S.C. 5001 et seq.);

19 “(C) the term ‘financial institution’ has the
20 meaning given under section 509 of the Gramm-
21 Leach-Bliley Act (15 U.S.C. 6809);

22 “(D) the term ‘substitute check’ has the mean-
23 ing given under section 3(16) of the Check Clearing
24 for the 21st Century Act (12 U.S.C. 5002(16)); and

1 “(E) the term”truncate” has the meaning given
2 under section 3(18) of the Check Clearing for the
3 21st Century Act (12 U.S.C. 5002(18)).”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 subsection (a) shall apply to any civil action for patent
6 infringement pending or filed on or after the date of enact-
7 ment of this Act.

5

AMENDMENT NO. _____ Calendar No. _____

Purpose: To provide for permanent funding of the United States Patent and Trademark Office, and to establish a revolving fund.

IN THE SENATE OF THE UNITED STATES—110th Cong., 1st Sess.

S. 1145

To amend title 35, United States Code, to provide for patent reform.

Referred to the Committee on _____ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT intended to be proposed by Mr. COBURN

Viz:

- 1 At the appropriate place, insert the following:
- 2 **SEC. ____ . PATENT AND TRADEMARK OFFICE FUNDING.**
- 3 (a) **DEFINITIONS.**—In this section:
- 4 (1) **DIRECTOR.**—The term “Director” means
- 5 the Director of the United States Patent and Trade-
- 6 mark Office.
- 7 (2) **FUND.**—The term “Fund” means the pub-
- 8 lic enterprise revolving fund established under sub-
- 9 section (c).

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

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

11 (5) UNDERSECRETARY.—The term “Undersec-
12 retary” means the Under Secretary of Commerce for
13 Intellectual Property.

14 (b) FUNDING.—

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

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

22 (B) in subsection (c), in the first sen-
23 tence—

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

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

8 (2) EFFECTIVE DATE.—

9 (A) IN GENERAL.—The amendments made
10 by paragraph (1) shall take effect on October 1,
11 2008.

12 (B) TERMINATION OF APPROPRIATION.—
13 The provisions of any prior appropriation Act
14 that makes amounts available pursuant to sec-
15 tion 42(c) of title 35, United States Code, and
16 are in effect on the effective date set forth in
17 subparagraph (A) shall cease to be effective on
18 that effective date, and any unexpended
19 amounts made available pursuant to such sec-
20 tion shall be transferred in accordance with
21 subsection (c)(5).

22 (c) USPTO REVOLVING FUND.—

23 (1) ESTABLISHMENT.—There is established in
24 the Treasury of the United States a revolving fund
25 to be known as the “United States Patent and

1 Trademark Office Public Enterprise Fund”. Any
2 amounts in the Fund shall be available for use by
3 the Director without fiscal year limitation.

4 (2) DERIVATION OF RESOURCES.—There shall
5 be deposited into the Fund—

6 (A) any fees collected under sections 41,
7 42, and 376 of title 35, United States Code,
8 provided that notwithstanding any other provi-
9 sion of law, if such fees are collected by, and
10 payable to, the Director, the Director shall
11 transfer such amounts to the Fund; and

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

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

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

1 such services, programs, activities, and duties
2 are described 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 (4) CUSTODIANS OF MONEY.—Notwithstanding
9 section 3302 of title 31, United States Code, any
10 funds received by the Director and transferred to
11 Fund, or any amounts directly deposited into the
12 Fund, may be used—

13 (A) to cover the expenses described in
14 paragraph (3); and

15 (B) to purchase obligations of the United
16 States, or any obligations guaranteed by the
17 United States.

18 (5) UNEXPENDED BALANCES.—Any unex-
19 pended balances in any accounts held on behalf of
20 the Director, or the Office, including in the Patent
21 and Trademark Office Appropriation Account in the
22 Treasury of the United States, shall be transferred
23 to the Fund and shall remain available until ex-
24 pended.

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

4 (1) summarize the operations of the Office for
5 the preceding fiscal year, including financial details
6 and staff levels broken down by each major activity
7 of the Office;

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

11 (3) describe the long term modernization plans
12 of the Office;

13 (4) set forth details of any progress towards
14 such modernization plans made in the previous fiscal
15 year; and

16 (5) include the results of the most recent audit
17 carried out under subsection (e).

18 (e) ANNUAL SPENDING PLAN.—

19 (1) IN GENERAL.—Not later than 30 days after
20 the beginning of each fiscal year, the Director shall
21 notify the Committees on Appropriations of both
22 Houses of Congress of the plan for the obligation
23 and expenditure of the total amount of the funds for
24 that fiscal year in accordance with section 605 of the
25 Science, State, Justice, Commerce, and Related

1 Agencies Appropriations Act, 2006 (Public Law
2 109–108; 119 Stat. 2334).

3 (2) CONTENTS.—Each plan under paragraph
4 (1) shall—

5 (A) summarize the operations of the Office
6 for the current fiscal year, including financial
7 details and staff levels with respect to major ac-
8 tivities; and

9 (B) detail the operating plan of the Office,
10 including specific expense and staff needs, for
11 the current fiscal year.

12 (f) AUDIT.—The Under Secretary shall, on an annual
13 basis, provide for an independent audit of the financial
14 statements of the Office. Such audit shall be conducted
15 in accordance with generally acceptable accounting proce-
16 dures.

17 (g) BUDGET.—In accordance with section 9301 of
18 title 31, United States Code, the Fund shall prepare and
19 submit each year to the President a business-type budget
20 in a way, and before a date, the President prescribes by
21 regulation for the budget program.