118TH CONGRESS  
1st Session  

S. ______

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.

IN THE SENATE OF THE UNITED STATES

Mr. Coons (for himself, Mr. Tillis, Mr. Durbin, and Ms. Hirono) introduced the following bill; which was read twice and referred to the Committee on

A BILL

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.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE.

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

SEC. 2. FINDINGS.

Congress finds the following:

(1) The patent property rights enshrined in the Constitution of the United States provide the foundation for the exceptional innovation environment in the United States.

(2) Reliable and effective patent protection encourages United States inventors to invest their resources in creating new inventions.

(3) United States inventors have made discoveries leading to patient cures, positive changes to the standard of living for all people in the United States, and improvements to the agricultural, telecommunications, and electronics industries, among others.

(4) The United States patent system is an essential part of the economic success of the United States.

(5) Reliable and effective patent protection improves the chances of success for individual inventors and small companies and increases the chances of securing investments for those inventors and companies.

(6) Intellectual property-intensive industries in the United States—
(A) generate tens of millions of jobs for individuals in the United States; and

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

(7) The National Security Commission on Artificial Intelligence has emphasized that—

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

(B) the United States has failed to similarly recognize the importance of intellectual property in securing its own national security, economic interests, and technological competitiveness.

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

(9) Congress last enacted comprehensive reforms of the patent system in 2011.

(10) Unintended consequences of the comprehensive 2011 reform of patent laws have become evident during the decade preceding the date of en-
actment of this Act, including the strategic filing of post-grant review proceedings to depress stock prices and extort settlements, the filing of repetitive petitions for inter partes and post-grant reviews that have the effect of harassing patent owners, and the unnecessary duplication of work by the district courts of the United States and the Patent Trial and Appeal Board, all of which drive down investment in innovation and frustrate the purpose of those patent reform laws.

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

(A) disincentivizing United States companies from innovating; and

(B) weakening the economy of the United States.

SEC. 3. PATENT TRIAL AND APPEAL BOARD.

Section 6 of title 35, United States Code, is amended—

(1) by redesignating subsections (b), (c), and (d) as subsections (c), (d), and (e), respectively;
(2) by inserting after subsection (a) the following:

“(b) Code of Conduct.—

“(1) In general.—The Director shall prescribe regulations establishing a code of conduct for the members of the Patent Trial and Appeal Board.

“(2) Considerations.—In prescribing regulations under paragraph (1), the Director shall consider the Code of Conduct for United States Judges and how the provisions of that Code of Conduct may apply to the Patent Trial and Appeal Board.”;

(3) by striking subsection (d), as so redesignated, and inserting the following:

“(d) 3-member Panels.—

“(1) In general.—Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director. The Patent Trial and Appeal Board may grant rehearings.

“(2) Changes to Constitution of Panel.—

After the constitution of a panel of the Patent Trial and Appeal Board under this subsection has been made public, any changes to the constitution of that panel, including changes that were made before the
constitution of the panel was made public, shall be noted in the record.

“(3) No direction or influence.—An officer who has supervisory authority or disciplinary authority with respect to an administrative patent judge of the Patent Trial and Appeal Board (or a delegate of such an officer), and who is not a member of a panel described in this subsection, shall refrain from communications with the panel that direct or otherwise influence any merits decision of the panel.

“(4) Ineligibility to hear review.—A member of the Patent Trial and Appeal Board who participates in the decision to institute an inter partes review or a post-grant review of a patent shall be ineligible to hear the review.”; and

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

(A) in the first sentence—

(i) by striking “this subsection” and inserting “the date of enactment of the Promoting and Respecting Economically Vital American Innovation Leadership Act”;
(ii) by striking “by the Director” and inserting “by the Director or the Secretary”; and

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

and

(B) in the second sentence—

(i) by inserting after “by the Director” the following: “, or, before the date of enactment of the Promoting and Respecting Economically Vital American Innovation Leadership Act, having performed duties no longer performed by administrative patent judges,”; and

(ii) by striking “that the administrative patent judge so appointed” and inserting “that the applicable administrative patent judge”.

SEC. 4. INTER PARTES REVIEW.

(a) STANDING AND REAL PARTIES IN INTEREST.—

Section 311 of title 35, United States Code, is amended by adding at the end the following:

“(d) PERSONS THAT MAY PETITION.—

“(1) DEFINITION.—In this subsection, the term ‘charged with infringement’ means a real and sub-
Substantial controversy regarding infringement of a patent exists such that the person would have standing
to bring a declaratory judgment action in Federal court.

“(2) NECESSARY CONDITIONS.—A person may not file with the Office a petition to institute an
inter partes review of a patent unless the person, or a real party in interest or a privy of the person, has
been—

“(A) sued for infringement of the patent;
or
“(B) charged with infringement of the patent.

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

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

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

(c) ELIMINATING REPETITIVE PROCEEDINGS.—

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

(A) in subsection (b), by amending the second sentence to read as follows: “The time limitation set forth in the preceding sentence shall not bar a request for joinder under subsection (d), but shall establish a rebuttable presumption against joinder for the requesting person.”;

(B) by redesignating subsections (c), (d), and (e) as subsections (d), (e), and (f), respectively;

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

“(c) SINGLE FORUM.—

“(1) IN GENERAL.—If an inter partes review is instituted challenging the validity of a patent, the petitioner, a real party in interest, or a privy of the petitioner may not file or maintain, in a civil action arising in whole or in part under section 1338 of title 28, or in a proceeding before the International
Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), a claim, a counterclaim, or an affirmative defense challenging the validity of any claim of the patent on any ground described in section 311(b).

“(2) CONSIDERATIONS.—In determining whether to institute a proceeding under this chapter, subject to the provisions of subsections (a)(1) and (g), the Director may not reject a petition requesting an inter partes review on the basis of the petitioner, a real party in interest, or a privy of the petitioner filing or maintaining a claim, a counterclaim, or an affirmative defense challenging the validity of the applicable patent in any civil action arising in whole or in part under section 1338 of title 28, or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337).”;

(D) by amending subsection (d), as so redesignated, to read as follows:

“(d) JOINDER.—

“(1) IN GENERAL.—If the Director institutes an inter partes review, the Director, in the discretion of the Director, may join as a party to that inter partes review any person that properly files a re-
quest to join the inter partes review and a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

“(2) **TIME-BARRED PERSON.**—Pursuant to paragraph (1), the Director, in the discretion of the Director, may join as a party to an inter partes review a person that did not satisfy the time limitation under subsection (b) that rebuts the presumption against joinder, except that any such person shall not be permitted to serve as the lead petitioner and shall not be permitted to maintain the inter partes review unless a petitioner that satisfied the time limitation under subsection (b) remains in the inter partes review.”;

(E) by amending subsection (e), as so redesignated, to read as follows:

“**(e) MULTIPLE PROCEEDINGS.—**

“(1) **IN GENERAL.**—Notwithstanding sections 135(a), 251, and 252, and chapter 30, after a petition to institute an inter partes review is filed, if another proceeding or matter involving the patent is before the Office—
“(A) the parties shall notify the Director of that other proceeding or matter—

“(i) not later than 30 days after the date of entry of the notice of filing date accorded to the petition; or

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

“(B) the Director shall issue a decision determining the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

“(2) CONSIDERATIONS.—In determining whether to institute a proceeding under this chapter, the Director shall, unless the Director determines that the petitioner has demonstrated exceptional circumstances, reject any petition that presents prior art or an argument that is the same or substantially the same as prior art or an argument that previously was presented to the Office.”;
(F) by amending subsection (f), as so redesignated, to read as follows:

“(f) **ESTOPPEL.**—

“(1) **IN GENERAL.**—A petitioner that has previously requested an inter partes review of a claim in a patent under this chapter, or a real party in interest or a privy of such a petitioner, may not request or maintain another proceeding before the Office with respect to that patent on any ground that the petitioner raised or reasonably could have raised in the petition requesting or during the prior inter partes review, unless—

“(A) after the filing of the initial petition, the petitioner, or a real party in interest or a privy of the petitioner, is charged with infringement of additional claims of the patent;

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

“(C) that subsequent petition is accompanied by a request for joinder to the prior inter partes review, which overcomes the rebuttable presumption against joinder set forth in
subsection (b), and which the Director shall
grant if the Director authorizes an inter partes
review to be instituted on the subsequent peti-
tion under section 314.

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

(G) by adding at the end the following:

“(g) Federal Court and International Trade
Commission Validity Determinations.—An inter
partes review of a patent claim may not be instituted or
maintained if, in a civil action arising in whole or in part
under section 1338 of title 28, or in a proceeding before
the International Trade Commission under section 337 of
the Tariff Act of 1930 (19 U.S.C. 1337), in which the
petitioner, a real party in interest, or a privy of the peti-
tioner is a party, the court, or the International Trade
Commission, as applicable, has entered a final judgment
that decides a challenge to the validity of the patent claim
with respect to any ground described in section 311(b).”.
(2) Technical and Conforming Amendments.—Section 316(a) of title 35, United States Code, is amended—

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

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

(d) Conduct of Inter Partes Review.—Section 316 of title 35, United States Code, is amended—

(1) in subsection (a)—

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

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

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

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

“(C) what is otherwise necessary in the interest of justice;”;

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

“(9) setting forth standards and procedures for—
“(A) allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims;

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

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

“(D) ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d), and any guidance issued by the Patent Trial and Appeal Board, is made available to the public as part of the prosecution history of the patent;”;

(C) in paragraph (12), by striking “and” at the end;

(D) in paragraph (13), by striking the period at the end and inserting “; and”; and

(E) by adding at the end the following:
“(14) setting forth the standards for demonstrating exceptional circumstances under sections 303(e)(1) and 315(e)(2).”;

(2) by amending subsection (e) to read as follows:

“(e) EVIDENTIARY STANDARDS.—

“(1) PRESUMPTION OF VALIDITY.—The presumption of validity under section 282(a) shall apply to previously issued claims of a patent that is challenged in an inter partes review under this chapter.

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

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

“(B) the petitioner shall have the burden of persuasion, by a preponderance of the evidence, with respect to a proposition of unpatentability for any substitute claim proposed by the patent owner.”; and

(3) by adding at the end the following:

“(f) CLAIM CONSTRUCTION.—For the purposes of this chapter—
“(1) each challenged claim of a patent, and each substitute claim proposed in a motion to amend, shall be construed as the claim would be construed under section 282(b) in an action to invalidate a patent, including by construing each such claim in accordance with—

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

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

“(2) if a court has previously construed a challenged claim of a patent or a challenged claim term in a civil action to which the patent owner was a party, the Office shall consider that claim construction.”.

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

(f) TIMING TO ISSUE TRIAL CERTIFICATE AND DECISIONS ON REHEARING.—Section 318 of title 35, United States Code, is amended—

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

(2) by adding at the end the following:

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

“(f) REVIEW BY DIRECTOR.—

“(1) IN GENERAL.—The Director may grant rehearing, reconsideration, or review of a decision by the Patent Trial and Appeal Board issued under this chapter.

“(2) REQUIREMENTS.—Any reconsideration, rehearing, or review by the Director, as described in paragraph (1), shall be issued in a separate written opinion that—

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

“(B) sets forth the reasons for the reconsideration, rehearing, or review of the applicable decision by the Patent Trial and Appeal Board.
“(g) Rule of Construction.—For the purposes of an appeal permitted under section 141, any decision on rehearing, reconsideration, or review of a final written decision of the Patent Trial and Appeal Board under subsection (a) of this section that is issued by the Director shall be deemed to be a final written decision of the Patent Trial and Appeal Board.”.

(g) Timing to Issue Decisions on Remand.—Section 319 of title 35, United States Code, is amended—

(1) by striking “A party” and inserting the following:

“(a) In General.—A party”; and

(2) by adding at the end the following:

“(b) Timing on Remand After Appeal.—Not later than 120 days after the date on which a mandate issues from the court remanding to the Patent Trial and Appeal Board after an appeal under subsection (a), the Board or the Director shall finally decide any issue on remand, except that the Director may, for good cause shown, extend that 120-day period by not more than 60 days.”.

SEC. 5. POST-GRANT REVIEW.

(a) Real Parties in Interest.—Section 321 of title 35, United States Code, is amended by adding at the end the following:
“(d) Real Party in Interest.—For purposes of this chapter, a person that, directly or through an affiliate, subsidiary, or proxy, makes a financial contribution to the preparation for, or conduct during, a post-grant review on behalf of a petitioner shall be considered a real party in interest of that petitioner.”.

(b) Timing to Issue Decisions on Rehearing.—Section 324 of title 35, United States Code, is amended by adding at the end the following:

“(f) Rehearing.—Not later than 45 days after the date on which a request for rehearing from a determination by the Director under subsection (c) is filed, the Director shall finally decide any request for reconsideration, rehearing, or review with respect to the determination, except that the Director may, for good cause shown, extend that 45-day period by not more than 30 days.”.

(c) Eliminating Repetitive Proceedings.—Section 325 of title 35, United States Code, is amended—

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

(2) by inserting after subsection (b) the following:

“(e) Single Forum.—

“(1) In General.—If a post-grant review is instituted challenging the validity of a patent, the peti-
tioner, a real party in interest, or a privy of the petitioner may not file or maintain, in a civil action arising in whole or in part under section 1338 of title 28, or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337).

“(2) CONSIDERATIONS.—In determining whether to institute a proceeding under this chapter, subject to the provisions of subsections (a)(1) and (h), the Director may not reject a petition requesting a post-grant review on the basis of the petitioner, a real party in interest, or a privy of the petitioner filing or maintaining a claim, a counterclaim, or an affirmative defense challenging the validity of any claim of the patent.

“(2) CONSIDERATIONS.—In determining whether to institute a proceeding under this chapter, subject to the provisions of subsections (a)(1) and (h), the Director may not reject a petition requesting a post-grant review on the basis of the petitioner, a real party in interest, or a privy of the petitioner filing or maintaining a claim, a counterclaim, or an affirmative defense challenging the validity of any claim of the patent.

“(3) by amending subsection (e), as so redesignated, to read as follows:

“(e) MULTIPLE PROCEEDINGS.—
“(1) IN GENERAL.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, after a petition to institute a post-grant review is filed, if another proceeding or matter involving the patent is before the Office—

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

“(i) not later than 30 days after the date of entry of the notice of filing date accorded to the petition; or

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

“(B) the Director shall issue a decision determining the manner in which the post-grant review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

“(2) CONSIDERATIONS.—In determining whether to institute a proceeding under this chapter, the Director shall, unless the Director determines that
the petitioner has demonstrated exceptional circumstances, reject any petition that presents prior art or an argument that is the same or substantially the same as prior art or an argument that previously was presented to the Office.”;

(4) by amending subsection (f), as so redesignated, to read as follows:

“(f) ESTOPPEL.—

“(1) IN GENERAL.—A petitioner that has previously requested a post-grant review of a claim in a patent under this chapter, or a real party in interest or a privy of a petitioner, may not request or maintain another proceeding before the Office with respect to that patent on any ground that the petitioner raised or reasonably could have raised in the petition requesting or during the prior post-grant review, unless—

“(A) after the filing of the initial petition, the petitioner, or a real party in interest or a privy of the petitioner, is charged with infringement of additional claims of the patent;

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

“(C) that subsequent petition is accompanied by a request for joinder to the prior post-grant review, which the Director shall grant if the Director authorizes a post-grant review to be instituted on the subsequent petition under section 324.

“(2) JOINED PARTY.—Any person joined as a party to a post-grant review, and any real party in interest or any privy of such person, shall be estopped under this subsection and subsections (c)(1) and (e)(2) to the same extent as if that person, real party in interest, or privy had been the first petitioner in that post-grant review.”; and

(5) by adding at the end the following:

“(h) FEDERAL COURT AND INTERNATIONAL TRADE COMMISSION VALIDITY DETERMINATIONS.—A post-grant review of a patent claim may not be instituted or maintained if, in a civil action arising in whole or in part under section 1338 of title 28, or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), in which the petitioner, a real party in interest, or a privy of the petitioner is a party, the court, or the International Trade Commis-
tion, as applicable, has entered a final judgment that de-
cides a challenge to the validity of the patent claim.”.

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

(1) in subsection (a)—

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

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

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

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

“(C) what is otherwise necessary in the interest of justice;”;

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

“(9) setting forth standards and procedures for—

“(A) allowing the patent owner to move to amend the patent under subsection (d) to can-
cel a challenged claim or propose a reasonable number of substitute claims;
“(B) allowing the Patent Trial and Appeal Board to provide guidance on substitute claims proposed by the patent owner;

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

“(D) ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d), and any guidance issued by the Patent Trial and Appeal Board, is made available to the public as part of the prosecution history of the patent;”;

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

(D) in paragraph (12), by striking the period at the end and inserting “; and”; and

(E) by adding at the end the following:

“(13) setting forth the standards for demonstrating exceptional circumstances under section 325(e)(2).”;

(2) by amending subsection (e) to read as follows:

“(e) EVIDENTIARY STANDARDS.—
“(1) Presumption of validity.—The presumption of validity under section 282(a) shall apply to previously issued claims of a patent that is challenged in a post-grant review under this chapter.

“(2) Burden of proof.—In a post-grant review under this chapter—

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

“(B) the petitioner shall have the burden of persuasion, by a preponderance of the evidence, with respect to a proposition of unpatentability for any substitute claim proposed by the patent owner.”; and

(3) by adding at the end the following:

“(f) Claim construction.—For the purposes of this chapter—

“(1) each challenged claim of a patent, and each substitute claim proposed in a motion to amend, shall be construed as the claim would be construed under section 282(b) in an action to invalidate a patent, including by construing each such claim in accordance with—
“(A) the ordinary and customary meaning of the claim as understood by a person having ordinary skill in the art to which the claimed invention pertains; and

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

“(2) if a court has previously construed a challenged claim of a patent or a challenged claim term in a civil action to which the patent owner was a party, the Office shall consider that claim construction.”.

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

(f) TIMING TO ISSUE TRIAL CERTIFICATES AND DECISIONS ON REHEARING.—Section 328 of title 35, United States Code, is amended—

(1) in subsection (b), by inserting “, not later than 60 days after the date on which the parties to the post-grant review have informed the Director that the time for appeal has expired or any appeal has terminated,” after “the Director shall”; and

(2) by adding at the end the following:

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

“(f) Review by Director.—

“(1) In general.—The Director may grant rehearing, reconsideration, or review of a decision by the Patent Trial and Appeal Board issued under this chapter.

“(2) Requirements.—Any reconsideration, rehearing, or review by the Director, as described in paragraph (1), shall be issued in a separate written opinion that—

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

“(B) sets forth the reasons for the reconsideration, rehearing, or review of the decision by the Patent Trial and Appeal Board.

“(g) Rule of Construction.—For the purposes of an appeal permitted under section 141, any decision on rehearing, reconsideration, or review of a final written decision of the Patent Trial and Appeal Board under subsection (a) of this section that is issued by the Director shall be deemed to be a final written decision of the Patent Trial and Appeal Board.”.
(g) Timing to Issue Decisions on Remand.—Section 329 of title 35, United States Code, is amended—

(1) by striking “A party” and inserting the following:

“(a) In General.—A party”; and

(2) by adding at the end the following:

“(b) Timing on Remand After Appeal.—Not later than 120 days after the date on which a mandate issues from the court remanding to the Patent Trial and Appeal Board after an appeal under subsection (a), the Board or the Director shall finally decide any issue on remand, except that the Director may, for good cause shown, extend that 120-day period by not more than 60 days.”.

SEC. 6. REEXAMINATION OF PATENTS.

(a) Request for Reexamination.—Section 302 of title 35, United States Code, is amended by inserting after the second sentence the following: “The request must identify all real parties in interest and certify that reexamination is not barred under section 303(d).”.

(b) Reexamination Barred.—Section 303 of title 35, United States Code, is amended—

(1) in subsection (a), by striking the third sentence; and

(2) by adding at the end the following:
“(d) An ex parte reexamination may not be ordered if the request for reexamination is filed more than 1 year after the date on which the requester or a real party in interest or a privy of the requester is served with a complaint alleging infringement of the patent. For purposes of this chapter, a person that directly or through an affiliate, subsidiary, or proxy makes a financial contribution to the preparation for, or conduct during, an ex parte reexamination on behalf of a requester shall be considered a real party in interest of the requester.

“(e) In determining whether to order an ex parte reexamination, the Director—

“(1) shall, unless the Director determines that the requestor has demonstrated exceptional circumstances, reject any request that presents prior art or an argument that is the same or substantially the same as prior art or an argument that previously was presented to the Office; and

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

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

SEC. 7. ELIMINATION OF USPTO FEE DIVERSION.

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

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

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

(2) in subsection (b)—

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

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

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

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

“(c) COLLECTION OF FUNDS FOR PTO ACTIVI-
ties.—
“(1) IN GENERAL.—Fees authorized in this title or any other Act to be charged or established by the Director shall be collected by the Director and shall be available to the Director until expended to carry out the activities of the Patent and Trademark Office.

“(2) USE OF FEES.—

“(A) PATENT FEES.—Any fees that are collected under this title, and any surcharges on such fees, may only be used for expenses of the Office relating to the processing of patent applications and for other activities, services, and materials relating to patents and to cover a proportionate share of the administrative costs of the Office.

“(B) TRADEMARK FEES.—Any fees that are collected under section 31 of the Trademark Act of 1946 (as defined in subsection (d)(1)) (15 U.S.C. 1113), and any surcharges on such fees, may only be used for expenses of the Office relating to the processing of trademark registrations and for other activities, services, and materials relating to trademarks and to cover a proportionate share of the administrative costs of the Office.”;
(4) by redesignating subsections (d) and (e) as subsections (e) and (f), respectively;

(5) by inserting after subsection (c) the following:

"(d) REVOLVING FUND.—

“(1) DEFINITIONS.—In this subsection—

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

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

“(2) ESTABLISHMENT.—There is established in the Treasury a revolving fund to be known as the ‘United States Patent and Trademark Office Innovation Promotion Fund’.
“(3) DERIVATION OF RESOURCES.—There shall be deposited into the Fund any fees collected under—

“(A) this title; or

“(B) the Trademark Act of 1946.

“(4) EXPENSES.—Amounts deposited into the Fund under paragraph (3) shall be available, without fiscal year limitation, to cover—

“(A) to the extent consistent with the limitation on the use of fees under subsection (c), all expenses, including all administrative and operating expenses, determined by the Director to be ordinary and reasonable, incurred by the Director for the continued operation of all services, programs, activities, and duties of the Office relating to patents and trademarks, as such services, programs, activities, and duties are described under—

“(i) this title; and

“(ii) the Trademark Act of 1946; and

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

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

(7) in subsection (f), as so redesignated, by striking “The Secretary” and inserting the following:

“(f) REPORT.—The Secretary’’.

(b) EFFECTIVE DATE; TRANSFER FROM AND TERMINATION OF OBSOLETE FUNDS.—

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

(2) REMAINING BALANCES.—On the effective date described in paragraph (1), there shall be deposited in the United States Patent and Trademark Office Innovation Promotion Fund established under section 42(d)(2) of title 35, United States Code (as added by subsection (a)), any available unobligated balances remaining in the Patent and Trademark Office Appropriation Account, and in the Patent and Trademark Fee Reserve Fund established under section 42(e)(2) of title 35, United States Code, as in effect on the day before that effective date.

(3) TERMINATION OF RESERVE FUND.—Upon the payment of all obligated amounts in the Patent and Trademark Fee Reserve Fund under paragraph
SEC. 8. INSTITUTIONS OF HIGHER EDUCATION.

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

“(d) INSTITUTIONS OF HIGHER EDUCATION.—

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

“(2) INCLUSIONS.—For purposes of this section, a micro entity shall include an applicant who certifies that—

“(A) the applicant’s employer, from which the applicant obtains the majority of the applicant’s income, is an institution of higher education;

“(B) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the particular applications to an institution of higher education;

“(C) the applicant is an institution of higher education; or
“(D) the applicant is an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code that holds title to patents and patent applications on behalf of an institution of higher education for the purpose of facilitating commercialization of the technologies of the patents and patent applications.”.

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

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

(b) SMALL BUSINESS ADMINISTRATION REPORT.—Not later than 1 year after the date of the enactment of this Act, the Administrator of the Small Business Administration, using existing resources, shall submit to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives a report analyzing the impact of—

(1) patent ownership by small business concerns; and


(2) civil actions against small business concerns arising under title 35, United States Code, relating to patent infringement.

(c) Free Online Availability of Public Search Facility Materials.—Section 41(i) of title 35, United States Code, is amended by adding at the end the following:

“(5) Free online availability of public search facility materials.—The Director shall make available online and at no charge all patent and trademark information that is available at the Public Search Facility of the Office located in Alexandria, Virginia, including, except to the extent that licenses with third-party contractors would make such provision financially unviable—

“(A) search tools and databases;

“(B) informational materials; and

“(C) training classes and materials.”.