114TH CONGRESS
1ST SESSION

To amend title 35, United States Code, and the Leahy-Smith America Invents Act to make improvements and technical corrections, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. Grassley (for himself, Mr. Leahy, Mr. Cornyn, Mr. Schumer, Mr. Lee, Mr. Hatch, and Ms. Klobuchar) introduced the following bill; which was read twice and referred to the Committee on

A BILL

To amend title 35, United States Code, and the Leahy-Smith America Invents Act to make improvements and technical corrections, and for other purposes.

Sec. 1. Short title; table of contents.
Sec. 2. Definitions.
Sec. 3. Pleading requirements for patent infringement actions.
Sec. 4. Customer-suit exception.
Sec. 5. Discovery limits.
Sec. 6. Procedures and practices to implement recommendations of the Judicial Conference.
Sec. 7. Fees and other expenses.
Sec. 8. Requirement of clarity and specificity in demand letters.
Sec. 9. Abusive demand letters.
Sec. 10. Transparency of patent transfer.
Sec. 11. Protection of intellectual property licenses in bankruptcy.
Sec. 12. Small business education, outreach, and information access.
Sec. 13. Studies on patent transactions, quality, and examination.
Sec. 14. Technical corrections to the Leahy-Smith America Invents Act and other improvements.
Sec. 15. Effective date.
Sec. 16. Severability.

1 SEC. 2. DEFINITIONS.

2 (1) DIRECTOR.—The term “Director” means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

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

8 SEC. 3. PLEADING REQUIREMENTS FOR PATENT INFRINGEMENT ACTIONS.

10 (a) ELIMINATION OF FORM 18.—Not later than 1 month after the date of enactment of this Act, the Supreme Court, using existing resources, shall eliminate Form 18 in the Appendix to the Federal Rules of Civil Procedure (Complaint for Patent Infringement).

15 (b) PLEADING REQUIREMENTS.—
(1) AMENDMENT.—Chapter 29 of title 35, United States Code, is amended by inserting after section 281 the following:

§ 281A. Pleading requirements for patent infringement actions

“(a) PLEADING REQUIREMENTS.—In a civil action in which a party asserts a claim for relief arising under any Act of Congress relating to patents, a party alleging infringement shall include in a complaint, counterclaim, or cross-claim for patent infringement, except as provided in subsection (c), the following:

“(1) An identification of each patent allegedly infringed.

“(2) An identification of each claim of each patent identified under paragraph (1) that is allegedly infringed.

“(3) For each claim identified under paragraph (2), an identification of each accused process, machine, manufacture, or composition of matter (referred to in this section as an ‘accused instrumentality’) alleged to infringe the claim.

“(4) For each accused instrumentality identified under paragraph (3), an identification with particularity, if known, of—
“(A) the name or model number (or a representative model number) of each accused instrumentality; or

“(B) if there is no name or model number, a description of each accused instrumentality.

“(5) For each claim identified under paragraph (2), a description of the elements thereof that are alleged to be infringed by the accused instrumentality and how the accused instrumentality is alleged to infringe those elements.

“(6) For each claim of indirect infringement, a description of the acts of the alleged infringer that are alleged to contribute to or induce the direct infringement.

“(b) DISMISSAL FOR FAILURE TO MEET PLEADING REQUIREMENTS.—The court shall, on the motion of any party, dismiss any count or counts of the complaint, counterclaim, or cross-claim for patent infringement if the requirements of paragraphs (1) through (6) of subsection (a) are not met with respect to such count or counts. The fact that a party pleads in accordance with subsection (c) shall not be a basis for dismissal if the party nonetheless states a plausible claim for relief sufficient under the Federal Rules of Civil Procedure.
“(c) INFORMATION NOT ACCESSIBLE.—If some subset of information required to comply with subsection (a) is not accessible to a party after an inquiry reasonable under the circumstances, consistent with rule 11 of the Federal Rules of Civil Procedure, an allegation requiring that information may be based upon a general description of that information, along with a statement as to why the information is not accessible.

“(d) AMENDMENT OF PLEADINGS.—Nothing in this provision shall be construed to affect a party’s leave to amend pleadings as specified in the Federal Rules of Civil Procedure. Amendments permitted by the court are subject to the pleading requirements set forth in this section.

“(e) CONFIDENTIAL INFORMATION.—A party required to disclose information described under subsection (a) may file information believed to be confidential under seal, with a motion setting forth good cause for such sealing. If such motion is denied by the court, the party may seek to file an amended pleading.

“(f) EXEMPTION.—Subsection (a) shall not apply to a civil action that includes a claim for relief arising under section 271(e)(2).

“§281B. Early disclosure requirements for patent infringement actions

“(a) DEFINITIONS.—In this section—
“(1) the term ‘financial interest’—

“(A) means—

“(i) with regard to a patent or patents, the right of a person to receive proceeds from the assertion of the patent or patents, including a fixed or variable portion of such proceeds; and

“(ii) with regard to the patentee, direct or indirect ownership or control by a person of more than 20 percent of the patentee; and

“(B) does not mean—

“(i) ownership of shares or other interests in a mutual or common investment fund, unless the owner of such interest participates in the management of such fund; or

“(ii) the proprietary interest of a policyholder in a mutual insurance company or a depositor in a mutual savings association, or a similar proprietary interest, unless the outcome of the proceeding could substantially affect the value of such interest;
“(2) the term ‘patentee’ means a party in a civil action that files a pleading subject to the requirements of section 281A;

“(3) the term ‘proceeding’ means all stages of a civil action, including pretrial and trial proceedings and appellate review; and

“(4) the term ‘ultimate parent entity’ has the meaning given the term in section 261A.

“(b) EARLY DISCLOSURE REQUIREMENTS.—Notwithstanding the requirements of section 299B, a patentee shall disclose to the court and each adverse party, not later than 14 days after the date on which the patentee serves or files the pleading subject to the requirements of section 281A—

“(1) the identity of each—

“(A) assignee of the patent or patents at issue, and any ultimate parent entity thereof;

“(B) entity with a right to sublicense to unaffiliated entities or to enforce the patent or patents at issue, and any ultimate parent entity thereof; and

“(C) entity, other than an entity the ultimate parent of which is disclosed under subparagraph (A) or (B), that the patentee knows to have a financial interest in—
“(i) the patent or patents at issue; or
“(ii) the patentee, and any ultimate
    parent entity thereof; and
“(2) for each patent that the patentee alleges to
    be infringed—

“(A) a list of each complaint, counterclaim,
or cross-claim filed by the patentee or an affil-
iate thereof in the United States during the 3-
year period preceding the date of the filing of
the action, and any other complaint, counter-
claim, or cross-claim filed in the United States
during that period of which the patentee has
knowledge, that asserts or asserted such patent,
including—

“(i) the caption;
“(ii) civil action number;
“(iii) the court where the action was
    filed; and
“(iv) if applicable, any court to which
    the action was transferred;
“(B) a statement as to whether the patent
    is subject to an assurance made by the party to
    a standards development organization to license
    others under such patent if—
“(i) the assurance specifically identifies such patent or claims therein; and

“(ii) the allegation of infringement relates to such standard; and

“(C) a statement as to whether the Federal Government has imposed specific licensing requirements with respect to such patent.

“(c) DISCLOSURE OF FINANCIAL INTEREST.—

“(1) PUBLICLY TRADED.—For purposes of subsection (b)(1)(C), if the financial interest is held by a corporation traded on a public stock exchange, an identification of the name of the corporation and the public exchange listing shall satisfy the disclosure requirement.

“(2) NOT PUBLICLY TRADED.—For purposes of subsection (b)(1)(C), if the financial interest is not held by a publicly traded corporation, the disclosure shall satisfy the disclosure requirement if the information identifies—

“(A) in the case of a partnership, the name of the partnership, the address of the principal place of business, and the name and correspondence address of the registered agent;

“(B) in the case of a corporation, the name of the corporation, the location of incor-
poration, and the address of the principal place
of business; and
“(C) for each individual, the name and
correspondence address of that individual.
“(d) PROVISION OF INFORMATION TO THE UNITED
STATES PATENT AND TRADEMARK OFFICE.—Not later
than 1 month after the date on which the disclosures re-
quired under subsection (b) are made, the patentee shall
provide to the United States Patent and Trademark Office
a filing containing the information disclosed pursuant to
subsection (b)(1).
“(e) CONFIDENTIAL INFORMATION.—
“(1) IN GENERAL.—A patentee required to dis-
close information under subsection (b) may file,
under seal, information believed to be confidential,
with a motion setting forth good cause for such seal-
ing.
“(2) HOME ADDRESS INFORMATION.—For pur-
poses of this section, the home address of an indi-
vidual shall be considered to be confidential informa-
tion.”.
(2) CONFORMING AMENDMENT.—The table of
sections for chapter 29 of title 35, United States
Code, is amended by inserting after the item relating
to section 281 the following new items:
“281A. Pleading requirements for patent infringement actions.
“281B. Early disclosure requirements for patent infringement actions.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of enactment of this Act and shall apply to any action for which a complaint is filed on or after that date.

SEC. 4. CUSTOMER-SUIT EXCEPTION.

(a) IN GENERAL.—Chapter 29 of title 35, United States Code, is amended by adding at the end the following:

“§ 299A. Customer stay

“(a) DEFINITIONS.—In this section—

“(1) the term ‘covered customer’ means a retailer or end user that is accused of infringing a patent or patents in dispute based on—

“(A) the sale, or offer for sale, of a covered product or covered process without material modification of the product or process in a manner that is alleged to infringe a patent or patents in dispute; or

“(B) the use by such retailer, the retailer’s end user customer, or an end user of a covered product or covered process without material modification of the product or process in a manner that is alleged to infringe a patent or patents in dispute;
“(2) the term ‘covered manufacturer’ means a person who manufactures or supplies, or causes the manufacture or supply of, a covered product or covered process, or a relevant part thereof;

“(3) the term ‘covered process’ means a process, method, or a relevant part thereof, that is alleged to infringe the patent or patents in dispute where such process, method, or relevant part thereof is implemented by an apparatus, material, system, software or other instrumentality that is provided by the covered manufacturer;

“(4) the term ‘covered product’ means a component, product, system, service, or a relevant part thereof, that—

“(A) is alleged to infringe the patent or patents in dispute; or

“(B) implements a process alleged to infringe the patent or patents in dispute;

“(5) for purposes of this section, the term ‘end user’ shall include an affiliate of such an end user, but shall not include an entity that manufactures or causes the manufacture of a covered product or covered process or a relevant part thereof;

“(6) the term ‘retailer’ means an entity that generates its revenues predominately through the
sale to the public of consumer goods or services, or an affiliate of such entity, but shall not include an entity that manufactures or causes the manufacture of a covered product or covered process or a relevant part thereof; and

“(7) for purposes of the definitions in subparagraphs (5) and (6), the terms ‘use’ and ‘sale’ mean the use and the sale, respectively, within the meanings given those terms under section 271.

“(b) MOTION FOR STAY.—In a civil action in which a party asserts a claim for relief arising under any Act of Congress relating to patents (other than an action that includes a cause of action described in section 271(e)), the court shall grant a motion to stay at least the portion of the action against a covered customer that relates to infringement of a patent involving a covered product or covered process if—

“(1) the covered manufacturer is a party to the action or a separate action in a Federal court of the United States involving the same patent or patents relating to the same covered product or covered process;

“(2) the covered customer agrees to be bound as to issues determined in an action described in paragraph (1) without a full and fair opportunity to
separately litigate any such issue, but only as to those issues for which all other elements of the common law doctrine of issue preclusion are met; and

“(3) the motion is filed after the first pleading in the action but not later than the later of—

“(A) 120 days after service of the first pleading or paper in the action that specifically identifies the covered product or covered process as a basis for the alleged infringement of the patent by the covered customer, and specifically identifies how the covered product or covered process is alleged to infringe the patent; or

“(B) the date on which the first scheduling order in the case is entered.

“(c) MANUFACTURER CONSENT IN CERTAIN CASES.—If the covered manufacturer has been made a party to the action on motion by the covered customer, then a motion under subsection (b) may only be granted if the covered manufacturer and the covered customer agree in writing to the stay.

“(d) LIFT OF STAY.—

“(1) IN GENERAL.—A stay entered under this section may be lifted upon grant of a motion based on a showing that—
“(A) the action involving the covered manufacturer will not resolve major issues in the suit against the covered customer, such as that a covered product or covered process identified in the motion to lift the stay is not a material part of the claimed invention or inventions in the patent or patents in dispute; or

“(B) the stay unreasonably prejudices or would be manifestly unjust to the party seeking to lift the stay.

“(2) SEPARATE ACTIONS.—In the case of a stay entered under this section based on the participation of the covered manufacturer in a separate action described in subsection (b)(1), a motion under paragraph (1) may only be granted if the court in such separate action determines that the showing required under paragraph (1) has been made.

“(e) WAIVER OF ESTOPPEL EFFECT.—If, following the grant of a motion to stay under this section, the covered manufacturer in an action described in subsection (b)(1)—

“(1) obtains or consents to entry of a consent judgment involving one or more of the issues that gave rise to the stay; or
“(2) fails to prosecute to a final, non-appealable judgment a final decision as to one or more of the issues that gave rise to the stay, the court may, upon motion, determine that such consent judgment or unappealed final decision shall not be binding on the covered customer with respect to one or more of the issues that gave rise to the stay based on a showing that such an outcome would unreasonably prejudice or be manifestly unjust to the covered customer in light of the circumstances of the case.

“(f) Rule of Construction.—Nothing in this section shall be construed to limit the ability of a court to grant any stay, expand any stay granted pursuant to this section, or grant any motion to intervene, if otherwise permitted by law.”.

(b) Conforming Amendment.—The table of sections for chapter 29 of title 35, United States Code, is amended by adding at the end the following:

“299A. Customer stay.”.

SEC. 5. DISCOVERY LIMITS.

(a) Amendment.—Chapter 29 of title 35, United States Code, as amended by section 4, is amended by adding at the end the following:

“§299B. Discovery in patent infringement action

“(a) Discovery in Patent Infringement Action.—
“(1) IN GENERAL.—Except as provided in subsections (b) and (c), in a civil action arising under any Act of Congress relating to patents, discovery shall be stayed during the pendency of 1 or more motions described in paragraph (2) if the motion or motions were filed prior to the first responsive pleading.

“(2) MOTIONS DESCRIBED.—The motions described in this paragraph are—

“(A) a motion to dismiss;

“(B) a motion to transfer venue; and

“(C) a motion to sever accused infringers.

“(b) DISCRETION TO EXPAND SCOPE OF DISCOVERY.—

“(1) RESOLUTION OF MOTIONS.—A court may allow limited discovery necessary to resolve a motion described in subsection (a) or a motion for preliminary relief properly raised by a party before or during the pendency of a motion described in subsection (a).

“(2) ADDITIONAL DISCOVERY.—On motion, a court may allow additional discovery if the court finds that such discovery is necessary to preserve evidence or otherwise prevent specific prejudice to a party.
“(c) Exclusion From Discovery Limitation.—

“(1) Voluntary Exclusion.—The parties to an action described in subsection (a) may voluntarily consent to be excluded, in whole or in part, from the limitation on discovery under subsection (a).

“(2) Claims Under Section 271(e).—This section shall not apply to a civil action that includes a claim for relief arising under section 271(e).

“(d) Rules of Construction.—

“(1) Timeline for Responsive Pleadings.—Nothing in this section shall be construed to alter the time provided by the Federal Rules of Civil Procedure for the filing of responsive pleadings.

“(2) Exchange of Contentions.—Nothing in this section shall prohibit a court from ordering or local rules from requiring the exchange of contentions regarding infringement, non-infringement, invalidity or other issues, by interrogatories or other written initial disclosures, at an appropriate time determined by the court.”.

(b) Conforming Amendment.—The table of sections for chapter 29 of title 35, United States Code, as amended by section 4, is amended by inserting after the item relating to section 299A the following:

“299B. Discovery in patent infringement action.”.
(c) Effective Date.—The amendments made by this section shall take effect on the date of enactment of this Act and shall apply to any action for which a complaint is filed on or after that date.

SEC. 6. PROCEDURES AND PRACTICES TO IMPLEMENT RECOMMENDATIONS OF THE JUDICIAL CONFERENCE.

(a) Judicial Conference Rules and Procedures on Discovery Burdens and Costs.—

(1) Rules and procedures.—The Judicial Conference of the United States, using existing resources, should develop rules and procedures to implement the discovery proposals described in paragraph (2) to address concerns regarding the asymmetries in discovery burdens and costs that may arise in a civil action arising under any Act of Congress relating to patents.

(2) Rules and procedures to be considered.—The rules and procedures to be developed under paragraph (1) should address each of the following:

(A) Discovery of core documentary evidence.—To what extent each party to the action is entitled to receive core documentary evidence and should be responsible for the costs
of producing core documentary evidence within
the possession or control of each such party,
and to what extent each party to the action
may seek noncore documentary discovery as
otherwise provided in the Federal Rules of Civil
Procedure.

(B) ELECTRONIC COMMUNICATION.—If the
parties request discovery of electronic commu-
nication, how such discovery should be phased
to occur relative to the exchange of initial dis-
closures and core documentary evidence, and
appropriate limitations to apply to such dis-
covery.

(C) ADDITIONAL DOCUMENT DISCOVERY.—
The manner and extent to which the following
should apply:

(i) IN GENERAL.—Each party to the
action may seek any additional document
discovery beyond core documentary evi-
dence as permitted under the Federal
Rules of Civil Procedure, if such party
bears the reasonable costs, including rea-
sponsible attorney’s fees, of the additional
document discovery.
(ii) Requirements for additional document discovery.—Unless the parties mutually agree otherwise, no party may be permitted additional document discovery unless such a party posts a bond, or provides other security, in an amount sufficient to cover the expected costs of such additional document discovery, or makes a showing to the court that such party has the financial capacity to pay the costs of such additional document discovery.

(iii) Good cause modification.—A court, upon motion and for good cause shown, may modify the requirements of subparagraphs (A) and (B) and any definition under paragraph (3). Not later than 30 days after the pretrial conference under rule 16 of the Federal Rules of Civil Procedure, the parties shall jointly submit any proposed modifications of the requirements of subparagraphs (A) and (B) and any definition under paragraph (3), unless the parties do not agree, in which case each party shall submit any proposed modifica-
tion of such party and a summary of the
disagreement over the modification.

(iv) COMPUTER CODE.—A court, upon
motion and for good cause shown, may de-
termine that computer code should be in-
cluded in the discovery of core documen-
tary evidence. The discovery of computer
code shall occur after the parties have ex-
changed initial disclosures and other core
documentary evidence.

(D) DISCOVERY SEQUENCE AND SCOPE.—
The manner and extent to which the parties
shall discuss and address in the written report
filed pursuant to rule 26(f) of the Federal
Rules of Civil Procedure the views and pro-
posals of each party on the following:

(i) When the discovery of core docu-
mentary evidence should be completed.

(ii) Whether additional document dis-
covery will be sought under subparagraph
(C).

(iii) Any issues about infringement,
invalidity, or damages that, if resolved be-
fore the additional discovery described in
subparagraph (C) commences, might simplify or streamline the case.

(3) **Scope of Documentary Evidence.**—In developing rules or procedures under this section, the Judicial Conference should consider which kinds of evidence constitute “core documentary evidence”.

(4) **Definitions.**—In this subsection the term “electronic communication” means any form of electronic communication, including email, text message, or instant message.

(b) **Judicial Conference Patent Case Management.**—The Judicial Conference of the United States, using existing resources, should develop case management procedures to be implemented by the United States district courts and the United States Court of Federal Claims for any civil action arising under any Act of Congress relating to patents, including initial disclosure and early case management conference practices that—

(1) will identify any potential dispositive issues of the case; and

(2) focus on early summary judgment motions when resolution of issues may lead to expedited disposition of the case.
SEC. 7. FEES AND OTHER EXPENSES.

(a) Sense of Congress.—It is the sense of Congress that, in patent cases, reasonable attorney fees should be paid by a non-prevailing party whose litigation position or conduct is not objectively reasonable. As the Supreme Court wrote in adopting this legal standard in the context of fee shifting under section 1447 of title 28, United States Code, this standard is intended to strike a balance; in patent cases, a more appropriate balance between protecting the right of a patent holder to enforce its patent on the one hand, and deterring abuses in patent litigation and threats thereof on the other.

(b) Amendment.—Section 285 of title 35, United States Code, is amended to read as follows:

“§ 285. Fees and other expenses

“(a) Award.—In connection with a civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents, upon motion by a prevailing party, the court shall determine whether the position of the non-prevailing party was objectively reasonable in law and fact, and whether the conduct of the non-prevailing party was objectively reasonable. If the court finds that the position of the non-prevailing party was not objectively reasonable in law or fact or that the conduct of the non-prevailing party was not objectively reasonable, the court shall award reasonable attorney fees to the pre-
vailing party unless special circumstances would make an award unjust.

“(b) COVENANT NOT TO SUE.—A party to a civil action who asserts a claim for relief arising under any Act of Congress relating to patents against another party, and who subsequently unilaterally (i) seeks dismissal of the action without consent of the other party and (ii) extends to such other party a covenant not to sue for infringement with respect to the patent or patents at issue, may be the subject of a motion for attorney fees under subsection (a) as if it were a non-prevailing party, unless the party asserting such claim would have been entitled, at the time that such covenant was extended, to dismiss voluntarily the action without a court order under rule 41 of the Federal Rules of Civil Procedure, or the interests of justice require otherwise.

“(c) RECOVERY OF AWARD.—

“(1) CERTIFICATION; DISCLOSURE OF INTERESTED PARTIES.—

“(A) INITIAL STATEMENT.—A party defending against a claim of infringement may file, not later than 14 days before a scheduling conference is to be held or a scheduling order is due under rule 16(b) of the Federal Rules of Civil Procedure, a statement that such party
holds a good faith belief, based on publicly-available information and any other information known to such party, that the primary business of the party alleging infringement is the assertion and enforcement of patents or the licensing resulting therefrom.

“(B) CERTIFICATION.—Not later than 45 days after being served with an initial statement under subparagraph (A), a party alleging infringement shall file a certification that—

“(i) establishes and certifies to the court, under oath, that it will have sufficient funds available to satisfy any award of reasonable attorney fees under this section if an award is assessed;

“(ii) demonstrates that its primary business is not the assertion and enforcement of patents or the licensing resulting therefrom;

“(iii) identifies interested parties, if any, as defined in paragraph (2) of this subsection; or

“(iv) states that it has no such interested parties.
A party alleging infringement shall have an ongoing obligation to supplement its certification under this subparagraph within 30 days after a material change to the information provided in its certification.

“(C) Notice to interested party.—A party that files a certification under subparagraph (B)(iii) shall, prior to filing the certification, provide each identified interested party actual notice in writing by service of notice in any district where the interested party may be found, such that jurisdiction shall be established over each interested party to the action for purposes of enforcing an award of attorney fees under this section, consistent with the Constitution of the United States. The notice shall identify the action, the parties, the patents at issue, and the interest qualifying the party to be an interested party. The notice shall inform the recipient that the recipient may be held accountable under this subsection for any award of attorney fees, or a portion thereof, resulting from the action in the event the party alleging infringement cannot satisfy the full amount of such an award, unless the recipient renounces
its interest pursuant to subparagraph (E) or is otherwise exempt from the applicability of this subsection.

“(D) Accountability for interested parties.—Any interested parties who are timely served with actual notice pursuant to subparagraph (C) and do not renounce their interests pursuant to subparagraph (E) or are not otherwise exempt from the applicability of this subsection may be held accountable for any fees, or a portion thereof, awarded under this section in the event that the party alleging infringement cannot satisfy the full amount of the award. If a true and correct certification under clause (i) or (ii) of subparagraph (B) is timely filed with the court, interested parties shall not be subject to this subparagraph.

“(E) Renunciation of interest.—Any recipient of a notice under subparagraph (C) may submit a statement of renunciation of interest in a binding document with notice to the court and parties in the action not later than 120 days after receipt of the notice under subparagraph (C). The statement shall be required
to renounce only such interest as would qualify
the recipient as an interested party.

“(F) INSTITUTIONS OF HIGHER EDUCATION EXCEPTION.—Any institution of higher
education (as defined in section 101(a) of the
Higher Education Act of 1965 (20 U.S.C.
1001(a)) or under equivalent laws in foreign ju-
risdictions), or a non-profit technology transfer
organization whose primary purpose is to facili-
tate the commercialization of technologies devel-
oped by 1 or more institutions of higher edu-
cation, may exempt itself from the applicability
of this subsection by filing a certification that
it qualifies for the exception provided for in this
subparagraph with the court and providing no-
tice to the parties.

“(G) INTEREST OF JUSTICE EXCEPTION.—
Any recipient of a notice under subparagraph
(C) may intervene in the action for purposes of
contesting its identification as an interested
party or its liability under this subsection, and
a court may exempt any party identified as an
interested party from the applicability of this
subsection as the interest of justice requires.
“(2) INTERESTED PARTY.—In this section, the term ‘interested party’—

“(A) means a person who has a substantial financial interest related to the proceeds from any settlement, license, or damages award resulting from the enforcement of the patent in the action by the party alleging infringement;

“(B) does not include an attorney or law firm providing legal representation in the action if the sole basis for the financial interest of the attorney or law firm in the outcome of the action arises from the attorney or law firm’s receipt of compensation reasonably related to the provision of the legal representation;

“(C) does not include a person who has assigned all right, title, and interest in a patent, except for passive receipt of income, to an entity described in paragraph (1)(F), or who has a right to receive any portion of such passive income; and

“(D) does not include a person who would be an interested party under subparagraph (A) but whose financial interest is based solely on an equity or security interest established when the party alleging infringement’s primary busi-
ness was not the assertion and enforcement of patents or the licensing resulting therefrom.

“(d) CLAIMS UNDER SECTION 271(e).—

“(1) APPLICABILITY.—Subsections (a), (b), and (c) shall not apply to a civil action that includes a claim for relief arising under section 271(e).

“(2) AWARD IN CERTAIN CLAIMS UNDER SECTION 271(E).—In a civil action that includes a claim for relief arising under section 271(e), the court may in exceptional cases award reasonable attorney fees to the prevailing party.”.

(e) CONFORMING AMENDMENT AND AMENDMENT.—

(1) CONFORMING AMENDMENT.—The item relating to section 285 of the table of sections for chapter 29 of title 35, United States Code, is amended to read as follows:

“285. Fees and other expenses.”.

(2) AMENDMENT.—Section 273 of title 35, United States Code, is amended by striking subsections (f) and (g).

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of enactment of this Act and shall apply to any action filed on or after such date.
SEC. 8. REQUIREMENT OF CLARITY AND SPECIFICITY IN DEMAND LETTERS.
(a) In General.—Chapter 29 of title 35, United States Code, as amended by section 5, is amended by adding at the end the following:

§ 299C. Pre-suit written notice

“(a) Applicability.—Subsection (b) shall not apply—

“(1) to written communication between parties—

“(A) regarding existing licensing agreements;

“(B) as part of an ongoing licensing negotiation, provided that the initial written notice complied with the requirements of subsection (b) of this section; or

“(C) sent after the initial written notice, provided that the initial written notice complied with the requirements of subsection (b) of this section; or

“(2) if the court determines it is in the interest of justice to waive the requirements of subsection (b).

“(b) Written Notification Requirements.—

“(1) In General.—In a civil action alleging infringement of a patent in which the plaintiff has
provided written notice of the accusation of infringe-
ment to the party accused of infringement prior to
filing the action, the initial written notice shall con-
tain the information required under paragraph (2)
or be subject to paragraph (3).

“(2) REQUIRED INFORMATION PROVIDED IN
INITIAL WRITTEN NOTICE.—The initial written no-
tice described in paragraph (1) shall contain, at a
minimum—

“(A) an identification of—

“(i) each patent believed to be in-
fringed, including the patent number; and

“(ii) at least one claim of each patent
that is believed to be infringed;

“(B) an identification of each product,
process, apparatus, or chemical composition, in-
cluding any manufacturer thereof, that is be-
lieved to infringe one or more claims of each
patent under subparagraph (A);

“(C) a clear and detailed description of the
reasons why the plaintiff believes each patent
identified under subparagraph (A) is infringed;

“(D) notice to the intended recipient that
the intended recipient may have the right to a
stay of any suit in accordance with section 299A;

“(E) the identity of any person with the right to enforce each patent under subpara-
graph (A); and

“(F) if compensation is proposed, a short and plain statement as to how that proposed compensation was determined.

“(3) ADDITIONAL TIME TO RESPOND.—If the initial written notice provided to the defendant prior to the filing of the civil action did not contain the information required by paragraph (2), the defendant’s time to respond to the complaint shall be ex-
tended by an additional 30 days.”.

(b) CONFORMING AMENDMENT.—The table of sec-
tions for chapter 29 of title 35, United States Code, as amended by section 5, is amended by adding at the end the following:

“299C. Pre-suit written notice.”.

(c) WILLFUL INFRINGEMENT.—Section 284 of title 35, United States Code, is amended—

(1) in the first undesignated paragraph, by striking “Upon finding” and inserting “(a) IN GEN-
ERAL.—Upon finding”;

(2) in the second undesignated paragraph, by striking “When the damages” and inserting “(b) As-
35

(3) by inserting after subsection (b), as designated by subparagraph (B), the following:

“(c) WILLFUL INFRINGEMENT.—A claimant seeking to establish willful infringement may not rely on evidence of pre-suit notification of infringement unless that notification complies with the standards set out in section 299C(b)(2).”; and

(4) in the last undesignated paragraph, by striking “The court” and inserting “(d) EXPERT TESTIMONY.—The court”.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date that is 1 year after the date of enactment of this Act and shall apply to any action for which a complaint is filed on or after that date.

SEC. 9. ABUSIVE DEMAND LETTERS.

(a) BAD-FAITH DEMAND LETTERS.—Chapter 29 of title 35, United States Code, as amended by section 8, is amended by adding at the end the following:

“§ 299D. Bad-faith demand letters

“(a) DEFINITION.—In this section, the term ‘affiliated person’ means a person affiliated with the intended recipient of a written communication.”
“(b) Civil Penalties for Certain Unfair or Deceptive Acts or Practices in Connection With Abusive Demand Letters.—A person who commits an unfair or deceptive act or practice within the meaning of section 5(a)(1) of the Federal Trade Commission Act (15 U.S.C. 45(a)(1)), in connection with the assertion of a United States patent, and who engages in the widespread sending of written communications representing that the intended recipients, or any persons affiliated with those recipients, are or may be infringing, or have or may have infringed, the patent and may bear liability or owe compensation to another, shall be deemed to have violated a rule defining an unfair or deceptive act or practice described under section 18(a)(1)(B) of the Federal Trade Commission Act (15 U.S.C. 57a(a)(1)(B)) if—

“(1)(A) the communications falsely—

“(i) represent that administrative or judicial relief has been sought against the recipient or others; or

“(ii) threaten litigation if compensation is not paid, the infringement issue is not otherwise resolved, or the communication is not responded to; and

“(B) there is a pattern of false statements or threats described in subparagraph (A) having been
made without litigation or other relief then having been pursued;

“(2) the assertions contained in the communications lack a reasonable basis in fact or law, because—

“(A) the person asserting the patent is not a person, or does not represent a person, with the current right to license the patent to, or to enforce the patent against, the intended recipients or any affiliated persons;

“(B) the communications seek compensation on account of activities undertaken after the patent has expired;

“(C) the communications seek compensation for a patent that has been held to be invalid or unenforceable in a final judicial or administrative proceeding that is unappealable or for which any opportunity for appeal is no longer available;

“(D) the communications seek compensation for activities by the recipient that the sender knows do not infringe the patent because such activities are authorized by the patentee;
“(E) the communications falsely represent that an investigation of the recipient’s alleged infringement has occurred; or

“(F) the communications falsely state that litigation has been filed against, or a license has been paid by persons similarly situated to the recipient; or

“(3) the content of the written communications is likely to materially mislead a reasonable recipient because the content fails to include facts reasonably necessary to inform the recipient——

“(A) of the identity of the person asserting a right to license the patent to, or enforce the patent against, the intended recipient or any affiliated person;

“(B) of the patent issued by the United States Patent and Trademark Office alleged to have been infringed; and

“(C) if infringement or the need to pay compensation for a license is alleged, of an identification of at least one product, service, or other activity of the recipient that is alleged to infringe the identified patent or patents and, unless the information is not readily accessible, an explanation of the basis for such allegation.
“(c) Enforcement by Federal Trade Commission.—

“(1) Powers of Commission.—The Federal Trade Commission shall enforce this section in the same manner, by the same means, and with the same jurisdiction, powers, and duties as though all applicable terms and provisions of the Federal Trade Commission Act (15 U.S.C. 41 et seq.) were incorporated into and made a part of this section.

“(2) Privileges and Immunities.—Any person who engages in an act or practice described in subsection (b) shall be subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act (15 U.S.C. 41 et seq.).”.

(b) Technical and Conforming Amendment.—

The table of sections for chapter 29 of title 35, United States Code, as amended by section 8, is amended by inserting after the item relating to section 299C the following:

“299D. Bad-faith demand letters.”.

SEC. 10. TRANSPARENCY OF PATENT TRANSFER.

(a) Patent and Trademark Office Proceedings.—
(1) In general.—Chapter 26 of title 35, United States Code, is amended by inserting after section 261 the following:

"§ 261A. Disclosure of information relating to patent ownership

(a) Definitions.—In this section:

(1) Period of noncompliance.—The term ‘period of noncompliance’ refers to a period of time during which the assignee or the ultimate parent entity of an assignee of a patent has not been disclosed to the United States Patent and Trademark Office in accordance with this section.

(2) Ultimate patent entity.—

(A) In general.—Except as provided in subparagraph (B), the term ‘ultimate parent entity’ has the meaning given such term in section 801.1(a)(3) of title 16, Code of Federal Regulations, or any successor regulation.

(B) Modification of definition.—The Director may by regulation modify the definition of the term ‘ultimate parent entity’.

(b) Requirement to disclose assignment.—
An assignment of all substantial rights in an issued patent shall be recorded in the Patent and Trademark Office—
“(1) not later than the date on which the patent is issued; and

“(2) when any subsequent assignment is made that results in a change to the ultimate parent entity—

“(A) not later than 3 months after the date on which such assignment is made; or

“(B) in the case of an assignment made as part of a corporate acquisition that meets the reporting thresholds under section 7A(a)(2) of the Clayton Act (15 U.S.C. 18a(a)(2)), not later than 6 months after the closing date of such acquisition.

“(c) Disclosure Requirements.—A disclosure under subsection (b) shall include the name of the assignee and the ultimate parent entity of the assignee.

“(d) Failure to Comply.—In a civil action in which a party asserts a claim for infringement of a patent, if there was a failure to comply with subsection (b) for the patent—

“(1) the party asserting infringement of the patent may not recover increased damages under section 284 or attorney fees under section 285 with respect to infringing activities taking place during any period of noncompliance, unless the denial of
such damages or fees would be manifestly unjust; and

“(2) the court shall award to a prevailing accused infringer reasonable attorney fees and expenses incurred in discovering the identity of any undisclosed entity required to be disclosed under subsection (b), unless such sanctions would be manifestly unjust.”.

(2) APPLICABILITY.—The amendment made by paragraph (1) shall apply to any patent for which a notice of allowance is issued on or after the date of enactment of this Act.

(3) CONFORMING AMENDMENT.—The table of sections for chapter 26 of title 35, United States Code, is amended by adding at the end the following new item:

“261A. Disclosure of information relating to patent ownership.”.

(b) REGULATIONS.—The Director may promulgate such regulations as are necessary to establish a registration fee in an amount sufficient to recover the estimated costs of administering section 261A of title 35, United States Code, as added by subsection (a), to facilitate the collection and maintenance of the information required by the amendments made by this section and section 3(b) of this Act, and to ensure the timely disclosure of such information to the public.
SEC. 11. PROTECTION OF INTELLECTUAL PROPERTY LICENSES IN BANKRUPTCY.

(a) In General.—Section 1522 of title 11, United States Code, is amended by adding at the end the following:

“(e) Section 365(n) shall apply to cases under this chapter. If the foreign representative rejects or repudiates a contract under which the debtor is a licensor of intellectual property, the licensee under such contract shall be entitled to make the election and exercise the rights described in section 365(n).”.

(b) Trademarks.—

(1) Amendment.—Section 101(35A) of title 11, United States Code, is amended—

(A) in subparagraph (E), by striking “or”;

(B) in subparagraph (F), by adding “or” at the end; and

(C) by adding after subparagraph (F) the following new subparagraph:

“(G) a trademark, service mark, or trade name, as those terms are defined in section 45 of the Act of July 5, 1946 (commonly referred to as the ‘Trademark Act of 1946’ (15 U.S.C. 1127));”.
CONFORMING AMENDMENT.—Section 365(n)(2) of title 11, United States Code, is amended—

(A) in subparagraph (B)—

(i) by striking "royalty payments" and inserting "royalty or other payments";

and

(ii) by striking "and" after the semi-colon;

(B) in subparagraph (C), by striking the period at the end of clause (ii) and inserting "; and"; and

(C) by adding at the end the following new subparagraph:

"(D) in the case of a trademark, service mark, or trade name, the licensee shall not be relieved of any of its obligations to maintain the quality of the products and services offered under or in connection with the licensed trademark, service mark or trade name, and the trustee shall retain the right to oversee and enforce quality control for said products and/or services."

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of enactment of
this Act and shall apply to any case that is pending on, or for which a petition or complaint is filed on or after, such date of enactment.

SEC. 12. SMALL BUSINESS EDUCATION, OUTREACH, AND INFORMATION ACCESS.

(a) SMALL BUSINESS EDUCATION AND OUTREACH.—

(1) RESOURCES FOR SMALL BUSINESS.—Using existing resources, the Director shall develop educational resources for small businesses to address concerns arising from patent infringement.

(2) SMALL BUSINESS PATENT OMBUDSMAN.—

The existing small business patent outreach programs of the Office, in consultation with the relevant offices at the Small Business Administration and the Minority Business Development Agency, shall provide education and awareness regarding resources available for those persons responding to allegations of patent infringement.

(b) IMPROVING INFORMATION TRANSPARENCY FOR SMALL BUSINESS AND THE UNITED STATES PATENT AND TRADEMARK OFFICE USERS.—

(1) WEB SITE.—Using existing resources, the Director shall create a user-friendly section on the official Web site of the Office to notify the public
when a patent case is brought in Federal court and, with respect to each patent at issue in such case, the Director shall include—

(A) information disclosed under section 261A of title 35, United States Code, as added by section 10, and section 281B(b) of title 35, United States Code, as added by section 3; and

(B) any other information the Director determines to be relevant.

(2) FORMAT.—In order to promote accessibility for the public, the information described in paragraph (1) shall be searchable by patent number, patent art area, and entity.

SEC. 13. STUDIES ON PATENT TRANSACTIONS, QUALITY, AND EXAMINATION.

(a) STUDY ON SECONDARY MARKET OVERSIGHT FOR PATENT TRANSACTIONS TO PROMOTE TRANSPARENCY AND ETHICAL BUSINESS PRACTICES.—

(1) STUDY REQUIRED.—The Director, in consultation with the Secretary of Commerce, the Secretary of the Treasury, the Chairman of the Securities and Exchange Commission, the heads of other relevant agencies, and interested parties, shall, using existing resources of the Office, conduct a study—
(A) to develop legislative recommendations to ensure greater transparency and accountability in patent transactions occurring on the secondary market;

(B) to examine the economic impact that the patent secondary market has on the United States;

(C) to examine licensing and other oversight requirements that may be placed on the patent secondary market, including on the participants in such markets, to ensure that the market is a level playing field and that brokers in the market have the requisite expertise and adhere to ethical business practices; and

(D) to examine the requirements placed on other markets.

(2) REPORT ON STUDY.—Not later than 18 months after the date of enactment of this Act, the Director shall submit a report to the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate on the findings and recommendations of the Director from the study required under paragraph (1).

(b) STUDY ON PATENT SMALL CLAIMS PROCEDURES.—
1 (1) Study required.—

2 (A) In general.—The Director of the
3 Administrative Office of the United States
4 Courts, in consultation with the Director of the
5 Federal Judicial Center and the United States
6 Patent and Trademark Office, shall, using ex-
7 isting resources, conduct a study to examine the
8 idea of developing a pilot program for patent
9 small claims procedures in certain judicial dis-
10 tricts within the existing patent pilot program
11 mandated by Public Law 111–349.

12 (B) Contents of study.—The study
13 under subparagraph (A) shall examine—
14
15 (i) the necessary criteria for using
16 small claims procedures;

17 (ii) the costs that would be incurred
18 for establishing, maintaining, and oper-
19 ating such a pilot program; and

20 (iii) the steps that would be taken to
21 ensure that the procedures used in the
22 pilot program are not misused for abusive
23 patent litigation.

24 (2) Report on study.—Not later than 1 year
25 after the date of enactment of this Act, the Director
26 of the Administrative Office of the United States
Courts shall submit a report to the Committee on
the Judiciary of the House of Representatives and
the Committee on the Judiciary of the Senate on the
findings and recommendations of the Director of the
Administrative Office from the study required under
paragraph (1).

(c) Study on Business Method Patent Quality.—

(1) GAO Study.—The Comptroller General of
the United States shall, using existing resources,
conduct a study on the volume and nature of litiga-
tion involving business method patents.

(2) Contents of Study.—The study required
under paragraph (1) shall focus on examining the
quality of business method patents asserted in suits
alleging patent infringement, and may include an ex-
amination of any other areas that the Comptroller
General determines to be relevant.

(3) Report to Congress.—Not later than 1
year after the date of enactment of this Act, the
Comptroller General shall submit to the Committee
on the Judiciary of the House of Representatives
and the Committee on the Judiciary of the Senate
a report on the findings and recommendations from
the study required by this subsection, including rec-
ommendations for any changes to laws or regulations that the Comptroller General considers appropriate on the basis of the study.

SEC. 14. TECHNICAL CORRECTIONS TO THE LEAHY-SMITH AMERICA INVENTS ACT AND OTHER IMPROVEMENTS.

(a) Section 325(e)(2) of title 35, United States Code, is amended by striking “or reasonably could have raised”.

(b) PTO PATENT REVIEWS.—

(1) Clarification.—

(A) SCOPE OF PRIOR ART.—Section 18(a)(1)(C)(i) of the Leahy-Smith America Invents Act (35 U.S.C. 321 note) is amended by striking “section 102(a)” and inserting “subsection (a) or (e) of section 102”.

(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) shall take effect on the date of the enactment of this Act and shall apply to any proceeding pending on, or filed on or after, such date of enactment.

(2) AUTHORITY TO WAIVE FEE.—Subject to available resources, the Director may waive payment of a filing fee for a transitional proceeding described under section 18(a) of the Leahy-Smith America Invents Act (35 U.S.C. 321 note).
(c) Technical Corrections.—

(1) Novelty.—

(A) Amendment.—Section 102(b)(1)(A) of title 35, United States Code, is amended by striking “the inventor or joint inventor or by another” and inserting “the inventor or a joint inventor or another”.

(B) Effective Date.—The amendment made by subparagraph (A) shall be effective as if included in the amendment made by section 3(b)(1) of the Leahy-Smith America Invents Act (Public Law 112–29).

(2) Inventor’s Oath or Declaration.—

(A) Requirement to Execute.—Section 115(a) of title 35, United States Code, is amended in the second sentence by striking “shall execute” and inserting “may be required by the Director to execute”.

(B) Effective Date.—The amendment made by subparagraph (A) shall be effective as if included in the amendment made by section 4(a)(1) of the Leahy-Smith America Invents Act (Public Law 112–29).

(3) Assignee Filers.—
(A) Benefit of earlier filing date; right of priority.—Section 119(e)(1) of title 35, United States Code, is amended, in the first sentence, by striking “by an inventor or inventors named” and inserting “that names the inventor or a joint inventor”.

(B) Benefit of earlier filing date in the United States.—Section 120 of title 35, United States Code, is amended, in the first sentence, by striking “names an inventor or joint inventor” and inserting “names the inventor or a joint inventor”.

(C) Effective date.—The amendments made by this paragraph shall take effect on the date of the enactment of this Act and shall apply to any patent application, and any patent issuing from such application, that is filed on or after September 16, 2012.

(4) Derived patents.—

(A) Amendment.—Section 291(b) of title 35, United States Code, is amended by striking “or joint inventor” and inserting “or a joint inventor”.

(B) Effective date.—The amendment made by subparagraph (A) shall be effective as
if included in the amendment made by section 3(h)(1) of the Leahy-Smith America Invents Act (Public Law 112–29).

(5) SPECIFICATION.—Notwithstanding section 4(e) of the Leahy-Smith America Invents Act (Public Law 112–29; 125 Stat. 297), the amendments made by subsections (c) and (d) of section 4 of such Act shall apply to any proceeding or matter that is pending on, or filed on or after, the date of the enactment of this Act.

(6) TIME LIMIT FOR COMMENCING MISCONDUCT PROCEEDINGS.—

(A) AMENDMENT.—The fourth sentence of section 32 of title 35, United States Code, is amended by striking “1 year” and inserting “18 months”.

(B) EFFECTIVE DATE.—The amendment made by this paragraph shall take effect on the date of the enactment of this Act and shall apply to any action in which the Office files a complaint on or after such date of enactment.

(7) PATENT OWNER RESPONSE.—

(A) CONDUCT OF INTER PARTES REVIEW.—Paragraph (8) of section 316(a) of title 35, United States Code, is amended by striking
“the petition under section 313” and inserting “the petition under section 311”.

(B) CONDUCT OF POST-GRANT REVIEW.— Paragraph (8) of section 326(a) of title 35, United States Code, is amended by striking “the petition under section 323” and inserting “the petition under section 321”.

(C) EFFECTIVE DATE.—The amendments made by this paragraph shall take effect on the date of the enactment of this Act.

(d) MANAGEMENT OF THE UNITED STATES PATENT AND TRADEMARK OFFICE.—

(1) IN GENERAL.—Section 3(b)(1) of title 35, United States Code, is amended in the first sentence—

(A) by striking “be vested with the authority to act in the capacity of the” and inserting “serve as Acting,”; and

(B) by inserting before the period “or in the event of a vacancy in the office of the Director.”.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect on the date of enactment of this Act and shall apply with respect to
appointments and vacancies occurring before, on, or after the date of enactment of this Act.

SEC. 15. EFFECTIVE DATE.

Except as otherwise provided in this Act, the provisions of this Act shall take effect on the date of enactment of this Act, and shall apply to any patent issued, or any action filed, on or after that date.

SEC. 16. SEVERABILITY.

If any provision of this Act, or an amendment made by this Act, or the application of such provision or amendment to any person or circumstance, is held to be invalid, the remainder of this Act, or an amendment made by this Act, or the application of such provision to other persons or circumstances, shall not be affected.