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(Added material is underlined; deleted material is bracketed)

98TH CONGRESS

S.1535

2ND SESSION

To amend title 35, United States Code, to increase the effectiveness of the patent laws and for other purposes.

IN THE SENATE OF THE UNITED STATES

A BILL

To amend title 35, United States Code, to increase the effectiveness of the patent laws and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That

(a) Section 154 of title 35, United States Code, is amended by inserting after the words "United States," the words "and, if the invention is a process, of the right to exclude others from using or selling products produced thereby throughout, or importing products produced thereby into, the United States,".

(b) Section 271 of title 35, United States Code, is amended by --

(1) redesignating subsection (a) as paragraph (a)(1):

(2) inserting the following new paragraph (a)(2):

"(a)(2) If the patented invention is a process, whoever without authority uses or sells within, or imports into, the United States during the term of the patent therefor a product produced by such process infringes the patent."; and

(3) adding the following new subsection (e):

"(e)(1) Whoever without authority supplies or causes to be supplied in or from the United

States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

"(2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred in the United States, shall be liable as an infringer."

(c) Section 287 of title 35, United States Code, is amended by --

(1) designating the existing language as subsection (a); and

(2) adding the following new subsection (b):

"(b) No damages shall be recovered by the patentee for infringement under section 271(a)(2) of this title from an infringer who did not use the patented process except on proof that such infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice."

(d)(1) Title 35, United States Code, is amended by adding the following new section 295:

§ 295. Presumption: Product Produced by Patented Process.

In actions alleging infringement of a process patent based on use, sale or importation of a product produced by the patented process, if the court finds (1) that a substantial likelihood exists

that the product was produced by the patented process and (2) that the claimant has made a reasonable effort to determine the process actually used in the production of the product and was unable so to determine, the product shall be presumed to have been so produced, and the burden of establishing that the product was not produced by the process shall be on the party asserting that it was not so produced."

(2) The table of sections for chapter 29 of title 35, United States Code, is amended by adding after the item relating to section 294 the following:

"295. Presumption: Product Produced by Patented Process."
[section 271 of title 35, United States Code, is amended by adding at the end thereof the following new subsections:]

["(e) Whoever without authority imports into or sells or uses within the United States a product made in another country by a process patented in the United States shall be liable as an infringer.]

["(f) Whoever without authority supplies or causes to be supplied in the United States the material components of a patented invention, where such components are uncombined in whole or in part, intending that such components will be combined outside of the United States, and knowing that if

such components were combined within the United States the combination would be an infringement of the patent, shall be liable as an infringer."}]

SEC. 2. Section 184 of title 35, United States Code, is amended by --

(1) amending the third sentence thereof by striking out "inadvertently" and inserting after "filed abroad" the words "through error and without deceptive intent";

(2) adding at the end thereof the following new paragraph:

"Subject to such conditions as the Commissioner may set by regulations, the scope of a license shall permit subsequent modifications, amendments, and supplements containing additional subject matter when the application upon which a license request is based is not required to be made available for inspection under section 181 of this title."

["In the case of an application for which a license has been obtained or an application which has been filed in teh United States Patent and Trademark office for more than six months before the filing in a foreign country, and on which no secrecy order has been issued, a license shall not be required for any modifications, amendments,

supplements, divisions, or other information filed in or transmitted to the foreign country in connection with such application if such modifications, amendments, supplements, divisions, or information consist only of the illustration, exemplification, comparison, or explanation of subject matter specifically or generally disclosed in such application."]

SEC. 3. Section 185 of title 35, United States Code, is amended by adding before the period in the last sentence thereof the following: ", unless the failure to procure such license was through error and without deceptive intent, and the patent does not disclose subject matter within the scope of section 181 of this title".

SEC. 4. Section 186 of title 35, United States Code, is amended by inserting "willfully" after the second occurrence of "shall".

[(1) striking out "whoever, in violation of the provisions of section 184 of this title,"; and]

[(2) inserting "such" after "in respect of any".]

SEC. 5. Section 103 of title 35, United States Code, is amended by adding at the end thereof the following:

"In addition, subject matter developed by another, which qualifies as prior art only under Sections 102(f) or (g) of this title, shall not negative patentability under this section where the subject matter and the claimed invention were commonly owned or subject to an obligation of assignment to the same party at the time the invention was made."

["Prior art shall not include unpublished information which is developed by the applicant jointly with others, or which is known to the applicant only by virtue of his or her employment."]

SEC. 6. (a) Section 116 of title 35, United States Code, is amended by amending the first paragraph to read as follows:

"When an invention is made by two or more persons jointly, they shall apply for patent jointly and each make the required oath, except as otherwise provided in this title. Inventors may apply for a patent jointly even

though (i) they did not physically work together or at the same time, (ii) each did not make the same type or amount of contribution, or (iii) each did not make a contribution to the subject matter of every claim of the patent."

(b) Section 120 of title 35, United States Code, is amended to read as follows:

"An application for patent for an invention disclosed in the manner provided by the first paragraph of Section 112 of this title in an application previously filed in the United States, or as provided by Section 363 of this title, by an inventor or inventors named in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application."

["When two or more persons have made inventive contributions to the subject matter claimed in an application, they shall apply for patent jointly and each shall sign the application and make the required oath, except as otherwise provided in this title. Joint inventors need not have made an inventive contribution to each claim of the application."]

[SEC. 7. Section 135(a) of title 35, United States Code, is amended by adding at the end thereof the following: "Evidence to establish priority of invention in accordance with section 102(g) shall be provided by affidavit."]

[SEC. 8. Section 135(c) of title 35, United States Code, is amended by--]

[(1) inserting before "shall render" in the third sentence the following: ", unless such failure was through error and without deceptive intent,"; and]

[(2) striking out the words "during the six-month period" in the fourth sentence and "within the six-month period" in the sixth sentence.]

SEC. 7 [9]. Section 135 of title 35, United States Code, is amended by adding at the end thereof the following new subsection:

"(d) Parties to a patent interference may determine such contest or any aspect thereof by arbitration. Such arbitration shall be governed by the provisions of title 9, United States Code, to the extent such title is not inconsistent with this section. The parties shall give notice of any arbitration award to the Commissioner, and such award shall be final and binding between the parties to the arbitration but shall have no force or effect on any other person. [and such award shall be dispositive of the issues to which it relates.] The arbitration award shall be unenforceable until such notice is given. Nothing in this subsection shall preclude the Commissioner from determining patentability of the invention involved in the interference."

SEC. 8 [10]. (a) Title 35, United States Code, is amended by adding after section 295 [294] the following new section:

§ 296. Licensee Challenges to Patent Validity

["Section 295. Licensee estoppel]

(a) A licensee shall not be estopped from asserting in a judicial action the invalidity of any patent under which it is licensed. Any agreement between the parties

to a patent license agreement which purports to bar the licensee from asserting the invalidity of licensed patent shall be unenforceable as to that provision.

"(b) Any patent license agreement may provide for a party or parties to terminate the license if the licensee asserts in a judicial action the invalidity of the licensed patent, and may further provide that the licensee's obligations under the agreement shall continue until a final and unappealable determination of invalidity is reached if such right to terminate is not exercised. Such agreement shall not be unenforceable as to such provisions on the ground that such provisions are contrary to federal patent law or policy."

["(b) In the event of an assertion of invalidity by the licensee in a judicial action, licensee and licensor shall each have the right to terminate the license at any time after such assertion. Until so terminated by either party, the licensee shall pay and the licensor shall receive the consideration set in the license agreement."]

"(b) The table of sections for chapter 29 of title 35, United States Code, is amended by adding after the item relating to section 295 [294] the following:

"296. Licensee Challenges to Patent Validity [estoppel]."

SEC. 9.(a) The Clayton Act, as amended (15 U.S.C. Section 12 et seq.), is amended by renumbering Section 27 as Section 28 and by adding the following new Section 27:

"SEC. 27. Agreements to convey rights to use, practice, or sublicense patented inventions, trade secrets, or know-how shall not be deemed illegal per se in actions under the antitrust laws."

(b) Section 282 of title 35, United States Code, is amended by --

(1) designating the existing language as subsection (a); and

(2) adding the following new subsection (b):

"(b) No patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following, unless such conduct, in view of the circumstances in which it is employed, violates the antitrust laws: (a) licensed the patent under terms that affect commerce outside

the scope of the patent's claims. (b) restricted a licensee of the patent in the sale of the patented product or in the sale of a product made by the patented process, (c) obligated a licensee of the patent to pay royalties that differ from those paid by another licensee or that are allegedly excessive, (d) obligated a licensee of the patent to pay royalties in amounts not related to the licensee's sales of the patent product or a product made by the patented process, (e) refused to license the patent to any person, or (f) otherwise used the patent allegedly to suppress competition."

SEC. 10. [11] (a) Subject to subsections (b), (c), (d) and (e) of this section, the amendments made by this Act shall apply to all United States patents granted before, on, or after the date of enactment of this Act, and to all applications for United States patents pending on the date of enactment.

(b) The amendments made by this Act shall not affect any final decision made by a court or the Patent and Trademark Office before the date of enactment of this Act with respect to a patent or application for patent, if no appeal from such decision is pending and the time for filing an appeal has expired.

(c) Section 271(a)(2) of title 35, United States Code, added by Section 1 of this Act, shall apply only to the importation, sale or use of a product after the date of enactment of this Act.

(d) Section 271(e) of title 35, United States Code, added by Section 1 of this Act shall apply only to the supplying, or causing to be supplied, of any component or components of a patented invention after the date of enactment of this Act.

(e) No United States patent granted before the date of enactment of this Act shall abridge or affect the right of any person or his successors in business who made, purchased, or used prior to such effective date anything protected by the patent, to continue the use of, or to sell to others to be used or sold, the specific thing so made, purchased, or used, if the patent claims were invalid or otherwise unenforceable on a ground obviated by Section 2, 3, 5, 6, or 9 of this Act and the person made, purchased, or used the specific thing in reasonable reliance on such invalidity or unenforceability. If a person reasonably relied on such invalidity or unenforceability, the court before which such matter is in question may provide for the continued manufacture, use, or sale of the thing made, purchased, or used as specified, or for the manufacture,

use, or sale of which substantial preparation was made before the date of enactment of this Act, and it may also provide for the continued practice of any process practiced, or for the practice of which substantial preparation was made, prior to the date of enactment, to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the date of enactment.

[The amendments made by this Act shall apply to all unexpired United States patents granted before or after the date of enactment of this act.]