

June 14, 2011

Memorandum

To: Association Constituencies

From: Hunter R. Rawlings III, President, AAU
Molly Corbett Broad, President, ACE
Darrell G. Kirch, M.D., President and CEO, AAMC
M. Peter McPherson, President, APLU

Subject: Support H.R. 1249, the America Invents Act

We write to urge your prompt, active support for H.R. 1249, the America Invents Act. This bill, the culmination of a more than six-year effort to reform U.S. patent law, includes a number of provisions that will benefit universities and strengthen the U.S. patent system overall. The bill tracks closely S. 23, the Senate bill that passed 95-5 in March. The common provisions of the two bills will increase patent quality, reduce patent litigation costs, and provide the USPTO with critically needed financial resources. These increased resources will allow the USPTO to reduce the enormous backlog of patent applications and enable the Office to streamline operations and incorporate new initiatives that will significantly increase the capacity of the U.S. patent system to foster innovation and increase the nation's economic competitiveness.

For the first time in the six-year patent reform effort, all major patent stakeholders are supporting the balanced, comprehensive reform of the U.S. patent system that would be enacted by H.R.1249 and its expected adoption by the Senate, to be signed into law by the President.

The bill is expected to go to the House floor for a vote this Thursday. We request that you contact your House delegations and any other House members with whom your institution has a relationship as soon as possible to express your institution's support for the legislation and to ask them to vote for H.R. 1249.

We wrote to you on May 17, urging your support of H.R. 1249 in anticipation of further improvements on the primary issue of concern, the expansion of prior user rights. After extensive negotiations, a compromise set of prior user rights provisions has been agreed to by universities, the Coalition for Patent Fairness – the IT sector group seeking expanded prior user rights, the Coalition for 21st Century Patent Reform, and both House and Senate Judiciary staffs. With the resolution of concerns about prior user rights, all outstanding university issues have been fully addressed, leaving a strong, balanced, comprehensive patent reform bill that warrants university support.

Among the key features of H.R. 1249 that will strengthen the U.S. patent system are:

- adopting a first-inventor-to-file system, which will harmonize the U.S. patent system with that of our major trading partners in determining the priority of patent applications, simplifying and clarifying the patent application process and enabling U.S. inventors to compete more effectively and efficiently in the global marketplace;
- improving patent quality by allowing third parties to submit information to the U.S. Patent and Trademark Office (USPTO) concerning patents under examination; by creating a new supplemental examination that would supplement or correct prior information, strengthening the emerging patents; and by creating an efficient, effective post-grant opposition proceeding, available for one year after a patent has been granted, providing an early alternative to using the courts to challenge patents, thereby allowing challengers to eliminate weak patents that should not have been granted and strengthening those patents that survive a challenge;
- reducing patent litigation costs by eliminating the litigation surrounding the determination of the first inventor; by establishing the new post-grant procedure noted above; and by significantly improving the current *inter partes* review procedure, which will provide a lower-cost alternative to civil litigation to challenge patents throughout their lifetimes, while substantially reducing the capacity to use this procedure to mount harassing serial challenges; and
- providing USPTO with critically needed resources by providing this fee-funded agency with facilitated fee-setting authority, subject to Congressional and Patent Public Advisory Committee oversight, and creating a new revolving fund that will assure that the fees collected by USPTO can be retained by the Office rather than being diverted by Congressional Appropriations Committees for other purposes, a practice carried out often in past years.

We have attached an expanded description of the key provisions noted above (Attachment 1). We have also included information on the two most serious but rebuttable criticisms currently being raised against H.R. 1249. Those criticisms are:

- 1) the claim that a first-inventor-to-file system violates the Constitution (Attachment 2), and
- 2) opposition to creation of the USPTO revolving fund on the basis that it constitutes mandatory spending lacking sufficient Congressional oversight and control (Attachment 3).

We appreciate your assistance and urge your immediate action on this important piece of legislation.

MAJOR IMPROVEMENTS TO U.S. PATENT LAW CONTAINED IN H.R. 1249

Adoption of a first-inventor-to-file (FITF) system

Adoption of a FITF system for determining patent priority, which was recommended by the National Academies in its seminal report, *A Patent System for the 21st Century*, would harmonize U.S. patent law with that of our major trading partners in determining the priority of patent applications, add greater clarity to our patent system by replacing the subjective determination of the first inventor with the objective identification of the first filer, and eliminate the unpredictable and substantial costs of interferences and litigation associated with determining the first inventor.

Moving to a FITF system raised concerns among some members of the university community about their ability to operate effectively in such a system. Accordingly, we asked that U.S. patent law maintain three components of the current U.S. patent system: (1) an effective 12-month grace period for publishing articles containing a disclosure of the invention, (2) the opportunity to file provisional applications, and (3) the requirement of current U.S. patent law that an applicant sign an oath that he or she is an inventor of the claimed invention. All three provisions have been included in all subsequent versions of patent reform legislation, including S. 23 and H.R. 1249.

Some opponents of FITF have charged that it is unconstitutional; **Attachment 2** provides three rebuttals to this charge.

Creation of a New Post-Grant Review Proceeding

Also recommended by the National Academies, the new post-grant opposition procedure provides an efficient, effective mechanism for challenging a patent for up to 12 months after issuance on any issue of patent validity. This new review procedure provides an early opportunity to challenge patents through a less costly alternative to litigation, eliminating patents that should not have been issued from the system and strengthening those patents that survive the challenge. The provision includes a high threshold for initiating the procedure – more than likely that at least one claim of the challenged patent is invalid – to assure that procedure cannot be used for unwarranted challenges to a patent.

Increased Resources for the U.S. Patent and Trademark Office (USPTO)

USPTO is seriously underfunded, struggling with a backlog of over 700,000 patent applications. H.R. 1249 provides the Office with increased financial resources in two important ways. First, the bill provides USPTO with expanded fee-setting authority, subject to Congressional and Patent Public Advisory Committee oversight. This provision will allow a more accurate and timely adjustment of fees than can be accomplished by going through Congress. Second, the bill creates a new revolving fund that assures that the fees collected can be retained by USPTO rather than being diverted

by Congressional Appropriations Committees for other purposes, a practice carried out all too often in the past.

The USPTO revolving fund has been criticized by House Budget Committee Chairman Paul Ryan (R-WI) and Appropriations Committee Chairman Harold Rodgers (R-KY) and others as mandating spending without proper Congressional control, but the revolving fund does not draw on taxpayer funding but instead allows USPTO to keep the fees it receives from participants in the U.S. patent and trademark programs in order to provide needed services to the participants in those programs. It is noteworthy that all major patent stakeholders not only support H.R. 1249 overall but specifically and strongly support the USPTO revolving fund. **Attachment 3** includes the Ryan-Rodgers letter, a letter from Senator Coburn to Congressmen Ryan and Rodgers rebutting their charges, and a letter of support for the provision from those stakeholders.

Improved *inter partes* Review Procedure

H.R. 1249 includes significant improvements to the current *inter partes* reexamination procedure, an administrative procedure carried out by USPTO for challenging a patent throughout its lifetime. In addition to having the reviews conducted by a panel of three Administrative Patent Judges rather than patent examiners, H.R. 1249 has incorporated two significant changes of S. 23 that will make *inter partes* reviews an effective instrument for legitimate challenges to patents while substantially reduce the prospect that the procedure can be used for mounting harassing serial challenges:

- reinstatement of a broad estoppel against raising in any subsequent challenge to the patent issues that “reasonably could have been raised” as well as issues actually raised, and
- raising the threshold for initiating an *inter partes* review from the current “substantial new question of patentability” to a “reasonable likelihood that the petitioner will prevail with respect to at least one of the claims challenged in the petition.”

Third-Party Submission of Prior Art

Third parties are given expanded opportunity to submit relevant prior art before patent issuance. The resultant increased information available to patent examiners will enhance the quality of issued patents.

Supplemental Examination

H.R. 1249 as introduced contained a supplemental examination provision, identical to that in S. 23, which would allow a patent owner voluntarily to disclose additional information to the USPTO that would supplement or correct prior information considered in the initial examination. This proceeding would promote patent quality by allowing defective patents or claims to be canceled if warranted, or narrowed or otherwise

corrected, strengthening the emerging patent and promoting investment, licensing, and innovation by removing uncertainties that may surround some issued patents.

At the House Judiciary Committee markup of H.R. 1249, the Committee adopted an amendment intended to prevent supplemental examination from being used by bad actors to circumvent a charge of fraud. This amendment, while well intended, would drive honest patent owners away from using supplemental examination, nullifying its potential to improve patent quality through a carefully structured procedure and to increase investment, R&D, and job creation spurred by strong patents. Moreover, the USPTO has existing mechanisms for responding to cases of fraudulent behavior. A satisfactory compromise has been reached on this amendment.

THE COALITION FOR 21ST CENTURY PATENT REFORM

Protecting Innovation to Enhance American Competitiveness

www.patentsmatter.com

A Constitutional Prescription for American Jobs

The United States stands on the verge of achieving an economic and technological renaissance through the reform and modernization of its patent laws. Although the current patent system is increasingly failing to meet the needs of our innovative community, a solution is within our grasp – the America Invents Act, H.R. 1249. This legislation, the result of more than six years of careful study and refinement by both Houses of Congress and following overwhelming bipartisan approval by the Senate and House Judiciary Committee, is now ready for consideration by the full House. By returning the United States to a first-inventor-to-file system and enacting other reform provisions, H.R. 1249 offers a more reliable and efficient patent system that will stimulate the invention of new technologies. These technologies will support the development and expansion of new industries employing millions of American workers and raising our standard of living.

While some who oppose H.R. 1249 have criticized its return to the first-inventor-to-file principle, this principle is well grounded in historical precedent, and is fundamental to reinvigorating the U.S. patent system. Indeed, these critics' questions are easily answered:

- Question: *“Is the first-inventor-to-file system consistent with the purposes behind the Intellectual Property Clause of the U.S. Constitution?”*

► Answer: Yes, as House Judiciary Chairman Smith has explained:

“As with any comprehensive reform package that involves a broad group of stakeholders and constituencies, there are always a few critics. These folks have questioned whether patent reform is constitutional. Well, let me answer that question directly – the America Invents Act is absolutely constitutional. The America Invents Act is not only constitutional, but it is based directly on the authority granted in Article 1, Section 8, Clause 8. It is, at its core, designed to return the American patent system to one that achieves the constitutional imperative of promoting the progress of science and the useful arts.” (Chairman Smith’s “Dear Colleague” letter of May 23, 2011)

- Question: *“Would granting a patent to the first-inventor-to-file constitute a radical change to U.S. patent law, overturning 220 years of practice?”*

► Answer: No. A first-inventor-to-file system was the original system adopted by the United States, and is the system now used throughout the rest of the world. The first patent law enacted by Congress in 1790, continued by the second patent act in 1793,

and for some forty-six years thereafter granted patents to the first inventor to file a patent application. Because of its widespread international use, about half of the patent applications now filed in the United States were originally filed in first-inventor-to-file jurisdictions, and nearly half of the remainder of U.S.-origin filings will later be filed in such jurisdictions.

● Question: *“Under the proposed ‘first-inventor-to-file’ system will it be possible for individuals who are not inventors to nonetheless obtain a U.S. patent by winning the race to the patent office?”*

► Answer: No, to be awarded a U.S. patent the applicant must still be the inventor of the invention claimed. Consistent with the power conferred on Congress by the Constitution to “promote the Progress of ... useful Arts, by securing for limited Times to ... Inventors the exclusive Right to their respective ... Discoveries,” only individuals who make inventions, i.e., inventors, may obtain a patent under H.R. 1249. Copiers and those who derived an invention from the actual inventor could not obtain a valid patent.

● Question: *“What if the inventor publicly discloses his or her invention before filing a patent application, and someone who learns of the invention from that disclosure races to the Patent Office and files a patent application before the inventor?”*

► Answer: The inventor will still be entitled to a patent on the invention even though not the first to file an application on it, provided the inventor files an application within one year of its first public disclosure. H.R. 1249 includes robust “grace period” provisions that allow such inventors to prevail over other applicants – even others who independently made the invention - who file their patent applications after the inventor has published or otherwise publically disclosed the invention.

● Question: *“Must there be only one inventor who discovers something not known before?”*

► Answer: No, the law has long recognized that two or more people may independently make an invention, and qualify as “inventors.” The difficulties begin, however, when such inventors file for a patent on the invention. To resolve which inventor will receive a patent, current U.S. patent law requires a complex, expensive “interference proceeding” in which proofs of dates of “conception,” “reduction to practice,” “diligence,” and whether either inventor has “abandoned, suppressed or concealed” must be investigated and proven. H.R. 1249 resolves these issues and avoids the accompanying expenses and uncertainties by awarding the patent to the inventor first files for a patent.

● *“Question: Was the first-inventor-to-file principle rejected by the First Congress and by Thomas Jefferson who was a member of the original patent board?”*

► Answer: No, as revealed by the exhaustively researched paper by Edward C. Walterscheid, *AIPLA Q.J.* 23:263 (1995) and the extensive documentation cited therein, the First Congress was well aware of a controversy involving four inventors who made inventions related to steam engines. Nonetheless, it enacted the 1790 Patent Act without any suggestion that the “date of invention” would be relevant to deciding the right to a U.S. patent. Most telling, separate patents were granted to each of these four inventors with the approval of then Secretary of State Jefferson who stated “that they could make no distinction in the Patents nor give one the preference [sic] of another” (*Autobiography of John Fitch* (one of the four inventors), Frank D. Prager ed. (1976)).

• Question: *Did contemporary practice at the time the Constitution was drafted lead the framers to adopt a first-to-invent standard and enshrine it in the Constitution?”*

► Answer: No, to the contrary. Mark A. Lemley, Professor of Law at Stanford University (who has testified on patent law reform in Administrative and Congressional hearings) has observed:

“[I]f that were true, (1) current US patent law would be unconstitutional in the circumstances in which it discounts invention in non-WTO member countries, and the system would have been unconstitutional throughout its history when it was limited to inventive activity in the US; and (2) copyright law would be unconstitutional because it treats any independent creator as an author. Both results seem unlikely to me.”

Other critics have also questioned whether persons who have received partially or wholly invalid patents would somehow be injured by H.R. 1249. This question is also easily answered:

• Question: *“Does the transitional provision of the bill that allows the US Patent Office to review certain patents related to certain business methods violate the Takings Clause of the Fifth Amendment because it does not provide any compensation to the holders of patents that are found to be invalid as a result of such review?”*

► Answer: No, because if the patent was mistakenly issued, and later found to be partially or wholly invalid as a result of the Patent Office’s review, no lawful property has been taken from the patentee. Never in the history of U.S. patent law has it been held, after a claim in a patent was determined to be invalid because covered unprotectable subject matter, that the owner of the patent was nevertheless entitled to compensation on the basis of that invalid claim.

June 13, 2011

The Honorable Lamar Smith
Chairman
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C.

Dear Sir:

This letter addresses a single issue: the claim that the first-inventor-to-file provisions in Section 3 of the America Invents Act, H.R. 1249, are unconstitutional in view of Article I, Section 8, Clause 8. The basis for this claim is that the only person who can constitutionally qualify as an “inventor” is the *first* person who invents something, such that Congress lacks the power to grant patent rights to others who independently invent, no matter how compelling the circumstances. The signatories to this letter, all professors of law, disagree with this claim of unconstitutionality. The claim cannot be squared with well-accepted and longstanding rules of current patent law.

Our reasons are as follows:

- **Article I, Section 8, Clause 8 of the Constitution empowers Congress to grant “exclusive Rights” to “Inventors”**
 - Congress’ power to create copyright and patent systems, respectively, originates from Article I, Section 8, clause 8: “The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”
 - The clause refers to “Inventors,” not to “first inventors”; it does not dictate how Congress should define who an “inventor” may be; it does not limit Congress power to place conditions on true inventors to obtain these exclusive rights; it does not specify how Congress should distribute rights among multiple persons who invent the same thing; it does not even specify that the “exclusive right” granted to the “Inventor” must be in the form of a patent. See WILLIAM C. ROBINSON, I THE LAW OF PATENTS FOR USEFUL INVENTIONS § 46 (1890) (“The authority thus conferred on Congress is unrestricted as to the method of its exercise.”)

- **Congress has exercised its power under the Intellectual Property clause by enacting statutes that offer patent rights to persons who “invent or discover”**
 - Congress’ first patent statute, the 1790 Patent Act, provided that persons who “invented or discovered” inventions could petition for patent rights, subject to other specified conditions. *See also Bd. of Trustees of Leland Stanford Jr. University v. Roche Molecular Sys., Inc.*, 563 U.S. ____ (June 6, 2011) (confirming that “[s]ince 1790, the patent law has operated on the premise that rights in an invention belong to the inventor”).
 - The current statute, the 1952 Patent Act, provides that “[w]hoever invents or discovers” inventions can seek patent rights, subject to other specified conditions – 35 U.S.C. § 101

- **Under the current “first to invent” system, Congress and the courts have long recognized that a person who independently invents something is an “inventor,” and does not lose that status merely because someone else has also invented the same thing**
 - Even under our present “first-to-invent” system, U.S. law does not favor the first inventor over subsequent inventors in all circumstances. The most distinguished patent jurist of the twentieth century pointed out that the current first-to-invent system is better understood as a *qualified* first-to-invent system. *Young v. Dworkin*, 489 F.2d 1277, 1282-83 (C.C.P.A. 1974) (Rich, J., concurring) (“The United States patent system is a first-to-invent system, wherefore we have interferences to determine, in cases of conflict, who the first inventor is. But for at least a century it has been a qualified first-to-invent system. The de facto first inventor has not necessarily been adjudged to be the de jure first inventor.”)
 - Under the current “first to invent” system, the actual “first to invent” ultimately may not be awarded the patent if he “abandoned, suppressed, or concealed” the invention. In those circumstances, the second inventor can be awarded the patent. 35 U.S.C. 102(g). If the constitutional argument is correct – that the Constitution mandates that the patent be awarded only to the true “first to invent” – then the constitutionality of this long-standing patent rule would be in doubt. This rule, however, confirms that Congress has discretion to establish conditions on who, among competing inventors, has the right to the patent. The rule of awarding the patent to the second to invent in these circumstances has been an integral part of the patent system since the 19th century:
 - *Mason v. Hepburn*, 13 App. D.C. 86, 91 (App. D.C. 1898)(“[A] subsequent inventor of a new and useful manufacture or improvement who has diligently pursued his labors to the procurement of a patent in good faith and without any knowledge of the preceding discoveries of another, shall, as against that other,

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who has deliberately concealed the knowledge of his invention from the public, be regarded as the real inventor and as such entitled to his reward")

- *Kendall v. Winsor*, 62 U.S. 322, 328 (1858) ("[T]he inventor who designedly, and with the view of applying it indefinitely and exclusively for his own profit, withholds his invention from the public, comes not within the policy or objects of the Constitution or acts of Congress. He does not promote, and, if aided in his design, would impede, the progress of science and the useful arts. . . .Hence, if, during such a concealment, an invention similar to or identical with his own should be made and patented, or brought into use without a patent, the latter could not be inhibited nor restricted, upon proof of its identity with a machine previously invented and withheld and concealed by the inventor from the public.")
- *Gayler v. Wilder*, 51 U.S. 477 (1850) (argument of Daniel Webster, endorsed by the Supreme Court: "The object of the patent law, and of the Constitution under which the law was passed, was the public benefit. If this be so, how does a man bring himself within its provisions who locks his secret in his own breast? And why is he less a benefactor to the public who invents a machine which had been before invented and afterwards forgotten, than he who invents something never before known?")

- Similarly, under the first-to-invent system as it existed from the late nineteenth century until 1996, a foreign inventor was unable to use evidence of his activities outside of the United States to prove that he was in fact the first to invent; therefore, the second to invent could be awarded the patent. 35 U.S.C. § 104 (repealed). The assertion that all subsequent inventors cannot constitutionally qualify as "Inventors" cannot be squared with this long-existing practice.

➤ **H.R. 1249 leaves in place the existing provision offering patent rights to persons who "invent or discover"**

- H.R. 1249 would make no change to current 35 U.S.C. § 101. Patents would still be awarded to those who "invent or discover."
- H.R. 1249's proposed "first inventor to file" provisions adopt the longstanding view that a person who independently invents is an "inventor" and does not lose that status merely because someone else has also invented the same thing.
- H.R. 1249's derivation provision confirms that Congress is extending patent protection only to a true inventor; a patent applicant or patent holder who took the idea, or derived it, from someone else cannot be considered a true inventor and is not entitled to the patent, even if he was the first to file an application on the invention. See H.R. 1249 §3(h) & (i).

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- H.R. 1249 simply places a different condition on obtaining a patent: a true inventor must be the first to file an application to be awarded the patent. It is different only in degree from the present rule that the first inventor cannot abandon, suppress, or conceal the invention in order to obtain a patent.

In sum, the first-inventor-to-file provisions of H.R. 1249 raise no constitutional concerns under Art. I Sec. 8 Cl. 8. Congress has discretion in defining the term “inventor “ and is able to specify conditions that true inventors must satisfy in order to be awarded a patent. Art. I Sec. 8 Cl. 8 is silent about whether the condition is that the inventor not abandon, suppress, or conceal (as in the current system), that true inventor be the first among other true inventors to file a patent application, or that the true inventor satisfy some other set of conditions. The authority to create such conditions is well within Congress’s constitutional power. H.R. 1249’s first-inventor-to-file is “a rational exercise” of Congress’s legislative authority under the clause that “reflects judgments of a kind Congress typically makes” that cannot be “dismiss[ed] as outside the Legislature’s domain.” *Eldred v. Ashcroft*, 537 U.S. 186, 204-05 (2003).

Our patent laws are vital to American innovation. H.R. 1249 proposes to make many changes to existing American patent laws. H.R. 1249 is a complex bill; its provisions, and the policies that they seek to advance, deserve Congress’ attention and debate. Congress should not permit that debate to be sidetracked by the assertion that the first-inventor-to-file provisions violate Article I, Section 8, clause 8.

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Mark D. Janis
Robert A. Lucas Chair of Law and Director, Center for Intellectual Property Research
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*Cc: The Honorable John Conyers
Ranking Member
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C.*

[joined by the individuals listed on the following pages]

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UNITED STATES PATENT AND TRADEMARK OFFICE

UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND
DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

JUN - 1 2011

The Honorable Lamar S. Smith
Chairman, Committee on the Judiciary
U.S. House of Representatives
Washington, DC 20515-4321

Dear Mr. Chairman:

I am pleased to share with you a copy of a letter sent to me by Michael B. Mukasey, who served as the Attorney General of the United States from November 2007 to January 2009, expressing his view that the first-inventor-to-file provision embodied in the America Invents Act is "both constitutional and wise."

As indicated in Secretary Locke's recent views letter on H.R. 1249, the Administration strongly supports the proposed transition of the United States to a first-inventor-to file system. The first-inventor-to file provision simplifies the process of acquiring rights while protecting innovators, provides a more transparent and cost-effective process, is consistent with the practices of our trading partners, puts U.S. businesses on a level playing field with the rest of the world, and enables inventors to market and fund their technology with a reduced threat of patent challenges. These advantages will benefit stakeholders across industries, helping businesses small and large alike.

I hope this letter is helpful, and thank you again for your leadership in advancing patent reform legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Kappos".

David J. Kappos
Under Secretary and Director

Enclosure

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May 26, 2011

Mr. David J. Kappos
Under-Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

The America Invents Act

Dear Mr. Kappos:

You have asked for my views on the constitutionality of the first-inventor-to-file rule embodied in the above legislation, which has passed the Senate and is now before the House of Representatives as HR 1249. I am happy to provide them. For the reasons summarized below, I believe the provision is constitutional, and helps assure that the patent laws of this country accomplish the goal set forth in the Constitution: "To promote the Progress of Science and useful Arts."

First, the new legislation leaves unchanged the existing requirement that a patent issue only to one who "invents or discovers." That assures that the legislation is constitutional.

The issue that has been raised concerns the situation presented by one who invents but does not file for a patent, and who then sees a later inventor file for a patent. Under the new legislation, that second inventor, provided that he or she did in fact invent the device or process at issue, would be able to obtain and retain the patent despite proof that someone else actually had invented the device or process but did not apply for a patent. The second inventor is no less an inventor for having invented second. Because the Constitution permits Congress to protect those who "invent or discover," that person is no less within the anticipated protection than the first inventor.

The Constitution is silent on the subject of how Congress should go about providing that protection, or indeed whether it should

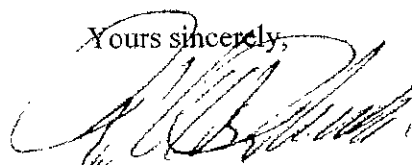
do so at all. However, Congress is certainly free to choose to provide it in a way that Congress believes best accomplishes the goal of the patent laws, which is "To promote the Progress of Science and useful Arts." It is at least arguable that for an invention to lie undisclosed or undeveloped does not accomplish that goal, and therefore the best way to assure disclosure and development is to reward with Constitutional protection the first inventor to file, and thus to assure that an invention is shared with society at large through disclosure as part of the patent process.

Indeed, that the patent laws have applied a variety of standards since the first one was enacted in the Eighteenth Century, including standards that awarded patents to other than the first inventor, shows that there is no Constitutional impediment to such a standard now.

Further, I believe that the policy argument to the effect that a first-to-file rule will encourage premature patent applications is more than outweighed by the demonstrated shortcomings of the current system, which permits some inventors to pursue their fortunes in the courts rather than in the U.S. Patent Office, and thereby to raise for all of us the cost of progress.

In sum, I believe the new legislation is both constitutional and wise.

Yours sincerely,



Michael B. Mukasey

Congress of the United States
Washington, DC 20515

June 6, 2011

The Honorable Lamar Smith
Chairman
Committee on the Judiciary
U.S. House of Representatives
2138 Rayburn House Office Building
Washington, DC 20515

Chairman Smith:

It is our understanding that H.R. 1249, the *America Invents Act*, is likely to be considered on the House floor in the upcoming weeks.

As you know, section 22 of H.R. 1249 would strike the current appropriations account language for the Patent Trademark Office (PTO), replace it with a “United States Patent and Trademark Office Public Enterprise Fund,” and permit the PTO to collect and spend authorized fees— all without requiring action or approval from Congress.

We strongly oppose this proposed shift of billions in discretionary funding and fee collections to mandatory spending. Putting PTO funding on auto-pilot is a move in exactly the wrong direction, given the new Republican majority’s commitment to restraining spending, improving accountability and transparency, and reducing the nation’s unparalleled deficits and debt.

Placing PTO spending on mandatory auto-pilot as outlined in H.R. 1249 would also hand the Congressional “power of the purse” – bestowed in the Constitution – to the Obama White House, and essentially eliminate the ability of Congress to perform substantive oversight of the PTO. We strongly oppose undermining these critical efforts, particularly when House Republicans have pledged to strengthen oversight of federal agencies to ensure resources are being used wisely and appropriately, and to prevent federal agencies from over-stepping their authority.

Oversight of the PTO belongs with the Congress, and should not be abdicated to the Executive Branch of government. Patent applications are filed by U.S. citizens and companies from all 50 states and territories, ranging from as many as 66,191 from California, 16,545 from Texas, 15,258 from New York, 8,128 from Ohio, 3,577 from Virginia, and 600 from Nebraska in 2010. Virtually every Member of Congress represents constituents who have a stake in the oversight of PTO – and often businesses and livelihoods depend on actions the agency undertakes. It would be both irresponsible and unwise to allow the PTO to operate solely under the authority of bureaucrats and White House political appointees - without being held accountable to the American public through their elected Representatives in Congress.

Given these concerns, we ask that section 22 be deleted or otherwise be modified prior to floor consideration in order to strengthen oversight of this important agency, and to ensure American citizens are getting the most from every dollar.

Sincerely,

A handwritten signature in blue ink, appearing to read "Harold Rogers", written over a horizontal line.

Harold Rogers
Chairman
House Committee on Appropriations

A handwritten signature in blue ink, appearing to read "Paul Ryan", written over a horizontal line.

Paul Ryan
Chairman
House Committee on the Budget

June 9, 2011

The Honorable Harold Rogers
Chairman
Committee on Appropriations
United States House of Representatives
H-307, The Capitol
Washington, D.C. 20515

The Honorable Paul Ryan
Chairman
Committee on the Budget
United States House of Representatives
207 Cannon House Office Building
Washington, D.C. 20515

Chairman Rogers and Chairman Ryan:

I read with concern your letter of June 6th opposing section 22 of the America Invents Act (H.R. 1249), which would prevent the diversion of user fees from the Patent and Trademark Office (PTO) by Congress. I urge you to reconsider your position as this section does not conflict with the ability to remain committed to restraining spending, improving accountability, and reducing the debt.

The goal of patent reform is to strengthen and improve our patent system. I share that goal, but I do not believe it is attainable without addressing the financial crisis facing the PTO. Section 22 would provide a solution to this crisis by depositing PTO user fees directly into a revolving fund at the Treasury for use only by the PTO. Congress would not have the ability to divert user fees to other general revenue purposes, and the PTO would remain accountable to Congress. In fact, there is unanimous agreement in the patent industry that section 22 is urgently needed for true patent reform.

Section 22 would not hand the “power of the purse” to the Obama Administration, put the PTO on “auto-pilot,” or eliminate the ability of Congress to perform oversight of the PTO. The “power of the purse” does not provide Congress authority over non-taxpayer funds. Although the PTO is subject to the appropriations process, it does not use taxpayer money. Rather, PTO receives fees paid by users who file patent and trademark applications—fees paid by small inventors, companies, and universities to protect their ideas and technology. Those fees are deposited into the general fund at the Treasury, and then PTO must request appropriations. However, when PTO’s fee income is greater than Congressional appropriations, we spend “excess” fees on other general revenue purposes, rather than providing applicants the high quality PTO services for which they paid.

Section 22 will not put the PTO on “auto-pilot” or eliminate oversight of the PTO. In fact, nothing in this section allows the PTO to escape Congressional oversight and accountability. Rather, this section requires extensive transparency and accountability from the PTO due to the four reporting requirements, which give Congress numerous opportunities to conduct vigorous oversight. For many years I have advocated for more transparency in all areas of our government, and the PTO is no exception.

Section 22 does not change the jurisdiction of any congressional committee. Congress may still bring the PTO Director before it at any time to demand justification for PTO performance. In fact, this section has the potential to yield more information to Congress and provide more transparency to the public than the current PTO funding arrangement.

As you note in your letter, patent applications are filed by residents of every state, and the profitability of many businesses depends on the ability to market patent-protected products and technologies. Thus, lack of quality service affects all of our constituents. Many patent applications do not receive timely review by the PTO as a result of the backlog of unexamined patents and the time it takes to have an application examined (pendency). In fact, total pendency is approximately 34 months, and over 706,000 applications are waiting for a patent examiner’s first action.¹

One of the primary reasons for these lengthy waiting periods is lack of PTO resources. Without adequate funding, the PTO cannot hire enough patent examiners, which not only slows application processing, but also impacts the quality of patents issued. Delay in application review and low-quality patents hampers technology, innovation, economic development, and ultimately job creation. Permanently ending the practice of Congressional fee diversion will alleviate these problems, enhance the efficiency of the PTO, and drive our economic recovery.

We cannot have true patent reform without ending fee diversion and providing the PTO with a permanent, consistent source of funding. I strongly urge you to reconsider your position and support this section as it will be the key to effectively implementing the reforms in H.R. 1249.

Sincerely,



Tom A. Coburn, M.D.
United States Senator

¹ United States Patent & Trademark Office, Data Visualization Center, Patents Dashboard, available at <http://www.uspto.gov/dashboards/patents/main.dashboard>.

June 13, 2011

Speaker John Boehner
Office of the Speaker
H-232 U.S. Capitol
Washington, DC 20515

Democratic Leader Nancy Pelosi
Office of the Democratic Leader
H-204 U.S. Capitol
Washington, DC 20515

Dear Speaker Boehner and Leader Pelosi:

We write to express our unified support for Section 22 of H.R. 1249, “The America Invents Act.” We heartily commend Judiciary Committee Chairman Smith, Ranking Democrat Conyers, Subcommittee Chairman Goodlatte, Ranking Democrat Watt, and the other Judiciary Committee Members for their wise decision to include Section 22 in the bill from its introduction.

Section 22 is a simple and straightforward provision that creates a mandatory revolving fund in the Treasury to consistently capture all user fees collected by the U.S. Patent and Trademark Office (“USPTO”) and to allow for their expenditure for no other purpose than funding the USPTO. Unlike most other federal agencies, the USPTO earns fees paid by inventors, companies, research institutions, and universities that can offset every taxpayer dollar appropriated for its operations. The sequestration of funds envisioned by Section 22 is necessary to prevent user fees collected from patent and trademark applications from being redirected to other non-USPTO purposes. Section 22 is necessary because over the last two decades more than \$875 million in user fees has been redirected to other governmental purposes in what amounts to a hidden tax on innovation.

The funding of the USPTO via user fees is part of the implicit bargain between our nation and innovators wherein inventors make details about their inventions publicly available for the common good in exchange for a limited but exclusive intellectual property right. This bargain advances Congress’ Constitutional power found in Article I, Section 8 “to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”

Although the USPTO is not well known, it may be the single greatest facilitator of private sector job creation and economic growth in America. It is this agency, after all, that issues the patents that businesses — especially startups — need to attract venture capital investment, develop new products and services, and create jobs.

If enacted, Section 22 would not abolish or hinder the oversight powers of Congress. Congress will still be able to direct spending where needed within the USPTO but Congress will not, however, be able to divert funds or otherwise reduce the amount of revenue that the agency takes in and holds in reserve. Congress may still conduct oversight hearings on USPTO operations.

Under Section 22, the USPTO will still be required to submit to Congress an annual report of its preceding fiscal year operations as well as its plans for the future. The Director of the USPTO will also be required to submit an annual spending plan to congressional appropriators, provide for an independent audit of the agency, and prepare a budget for the President for inclusion in the administration's budget. The transparency and accountability made possible through robust oversight helps ensure the USPTO will be held accountable to efficiently executing its Constitutional mission.

Regarding budgetary impact, the CBO score states that H.R. 1249 reduces direct spending by \$725 million over 10 years and decreases the budget deficits by \$717 million over the same time period. The gross mandatory spending increases reflect workload increases that the agency can absorb based on its ability to retain all of its user fees. As a practical matter, the agency is raising through user fees every dollar it spends and should not be treated as an agency that is merely spending tax dollars.

Although each of our organizations has varying views on the reforms contained in H.R. 1249, we unanimously support Section 22 and believe that it is the cornerstone of any patent reform legislation. Absent a statutory mechanism to prevent future fee diversion, as we have seen all too often in previous years, the existing and new responsibilities vested in the USPTO will suffer, the ability of the USPTO to plan long-term and build the agency our innovation economy demands will be frustrated, and the job-stifling patent application backlog will continue.

We appreciate your commitment to advancing innovation, and we strongly encourage your leadership to retain Section 22 of H.R. 1249 when the bill comes to the House floor for consideration.

Sincerely,

AdvaMed—the Advanced Medical Technology Association
Air Products and Chemicals, Inc.
Allergan, Inc.
AMD
American Council on Education
Amylin Pharmaceuticals, Inc.
Apple
Association of American Medical Colleges
Association of American Universities
Association of Public and Land-grant Universities (APLU)
The Association of University Technology Managers (AUTM)
BayBio
BAE Industries, Inc.
Beckman Coulter, Inc.
Binghamton University, State University of New York
BIOCOM
The Biotechnology Industry Organization (BIO)

Boston Scientific
Bridgestone Americas
Brown University
Business Roundtable
California Healthcare Institute (CHI)
California Institute of Technology
Case Western Reserve University
Caterpillar Inc.
Cephalon
Clemson University
Coalition for Patent Fairness
CONNECT
Corning Incorporated
Council on Government Relations
Cummins-Allison Corporation
Cummins Inc.
Dell
Dolby Laboratories
Duke University
DuPont
Eastman Chemical Company
Edison Nation
Eli Lilly and Company
Emory University
Environmental Toxins Solutions Inc.
Eventys
ExploraMed Development, LLC
Fallbrook Technologies Inc.
Financial Services Roundtable
ForSight Labs, LLC
ForSight VISION4, Inc.
ForSight VISION5, Inc.
The Foundry, LLC
Freudenberg North America
General Electric
Gen-Probe Incorporated
Gentex Corporation
Georgia Institute of Technology
GlaxoSmithKline
HiperSem Inc.
Hoffman-La Roche Inc.
Honeywell
IBM
Illinois Tool Works, Inc.
Indiana University
Innovation Alliance

Intel
InterDigital
International Federation of Professional & Technical Engineers (IFPTE)
International Game Technology (IGT)
Inventors Digest Magazine
Iowa Biotech Association
Iowa State University
The Johns Hopkins University
Johnson & Johnson
Kansas State University
Kodak
Luminex Corporation
Medical Device Manufacturers Association (MDMA)
Medtronic, Inc.
Michigan State University
Microsoft
Millennium Pharmaceuticals
Milliken & Company
Miramar Labs, Inc.
Massachusetts Institute of Technology
Motor & Equipment Manufacturers Association
National Association of Manufacturers (NAM)
National Association of Patent Practitioners
National Treasury Employees Union
National Venture Capital Association
Neodyne Biosciences, Inc.
NeoTract, Inc.
New Venture Advisors
New York University
North Carolina State University
Novartis
Novozymes
NuVasive
OnLive
Oracle
Orthopedic Venture Partners
Patent Office Professional Association (POPA)
Penn State University
Pfizer
Procter & Gamble
Product on Demand
Qualcomm, Inc.
Rearden Companies
Rutgers, The State University of New Jersey
Stanford-Burnham Medical Research Institute
Stanford University

The State University of New York
The Stella Group, Ltd.
Stony Brook University, SUNY
SuVolta, Inc.
Symantec
Syngenta
Tessera
Texas Instruments
Three Arch Partners
3M
TI Group Automotive Systems, LLC
Tulane University
United Steelworkers (USW)
University of Arizona
University of Buffalo
University of Central Florida
University of Cincinnati
University of Illinois
University of Maryland
University of Michigan
University of Minnesota
University of Nebraska
University of North Carolina at Chapel Hill
University of Oregon
University of Toledo
University of Virginia
University of Washington
UpWrite, LLC
U.S. Chamber of Commerce
USG Corporation
Vanderbilt University
Vari-Form Inc.
Vibrynt, Inc.
Walbro Engine Management LLC
Washington Biotechnology & Biomedical Association
Washington State University
Wayne State University
Western Michigan University
Weyerhaeuser
Yale University
Zimmer, Inc.

For Immediate Release

June 13, 2011

Leading Patent Stakeholders: End USPTO User Fee Diversion

150 companies, associations, venture capitalists, unions, universities and innovation-focused entities call on Congress to maintain current legislative language to end “hidden tax on innovation”

Washington, D.C. – Representatives from the leading patent reform advocacy groups, including the Coalition for 21st Century Patent Reform, the Coalition for Patent Fairness, the Innovation Alliance, as well as dozens of universities, large corporations, unions, associations, venture capitalists, and startup businesses all called on Congress to support keeping the U.S. Patent and Trademark Office funding provisions in H.R. 1249, “The America Invents Act.” Section 22 of the Judiciary Committee reported bill creates a mandatory revolving fund in the Treasury to retain all user fees collected by the USPTO and to use the funds to run the operations of that agency.

The large set of signatories is notable because of its broad diversity. Adding their support for ending fee diversion and supporting the operations of the USPTO include the U.S. Chamber of Commerce, the Business Roundtable, the National Association of Manufacturers, the National Venture Capital Association, the American Association of Universities, the Biotechnology Industry Association, the Financial Services Roundtable, the International Federation of Professional & Technical Engineers, and many others.

In the letter to Speaker Boehner and Democratic Leader Pelosi, the 150 innovation-focused signatories wrote, “Unlike most other federal agencies, the USPTO earns fees paid by inventors, companies, research institutions, and universities that can offset every taxpayer dollar appropriated for its operations. The sequestration of funds envisioned by Section 22 is necessary to prevent user fees collected from patent and trademark applications from being redirected to other non-USPTO purposes. Section 22 is necessary because over the last two decades more than \$875 million in user fees has been redirected to other governmental purposes in what amounts to a hidden tax on innovation.”

The letter notes that while the signatories may have different views on the reforms contained in H.R. 1249, they unanimously believe that Section 22 should remain in the legislation. The letter is not an endorsement of a funding only bill or amendment, but a strong statement that ending fee diversion is a critical piece of any patent reform legislation.

In the letter, the USPTO was labeled, “the single greatest facilitator of private sector job creation and economic growth in America;” and its patents were essential for innovative businesses — especially startups — to attract venture capital investment, develop new products and services, and create jobs.

Section 22, it was noted, does not diminish the oversight powers of Congress; it only prevents the diversion of user fee collected by the USPTO.

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