

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, DC 20510

May 6, 2009

Re: Opposition to S.515, The Patent Reform Act of 2009 (committee print)

Dear Senators Reid and McConnell,

The National Association of Patent Practitioners (NAPP) is a nonprofit trade association for patent agents and patent attorneys. We are writing to express concern about S. 515 and ask you to withhold floor time pending further revisions.

Unlike other associations, NAPP's members focus on patent prosecution, namely securing patents for inventors. As part of NAPP's mission, we aim to create a collective nationwide voice to address issues relating to patent-prosecution practice. Additional information can be found at www.napp.org. We believe that the positions stated express the views of the vast majority of NAPP members.

Although progress has been made in committee on some part of the bill, notably damages, by "compromises" among certain impacted parties, small entities and individual inventors, who NAPP's members mostly represent, were not parties to any compromise and indeed did not learn of the discussions until after the fact. The Senate should keep in mind that small business is the key to economic growth.

The "compromises" did not touch on or consider the issues with the bill discussed below. We are concerned that the bill, in its current form, still contains a number of provisions that will make U.S. patents *less* strong and would *reduce* patent-owners' ability to enforce U.S. patents. If a bill like this passes, patents would become harder to get, more subject to challenge, and harder to enforce. Passing such a bill would embolden infringers, with the consequence of less innovation and threats to U.S. jobs and manufacturing. The U.S. maintains a competitive edge in innovation; one that we should not give up without careful study.

First problem: Concerns about "first to file" have not been addressed

A major problem with the bill is in SEC. 2, entitled "right of the first inventor to file." This would make a major change in the Patent Act and would harm innovation.

"First to file" has been "sold" as having small consequence because only a few "interferences" (expensive priority contests) are decided each year. NAPP would like the Senate to understand that interferences are only the "tip of the iceberg"; this change would have far greater impact. When seeking (or defending) a patent, it is now possible to overcome a published reference (or patent application initially filed by someone else

in secret) by showing that the inventor conceived the work before the date of the reference and diligently worked to build the invention or apply for a patent. *See* 35 U.S.C. §102(e); 37 C.F.R. §1.131. The current rule applies not only to another inventor's prior patent filing, but also to *any* public disclosure of the invention by someone who didn't file for a patent. That opportunity would be lost under the bill. Under the bill, work done by someone else *after the invention* could kill an inventor's application or patent, even if the inventor did not delay unduly. This effect applies well beyond the interference context and is likely to damage large numbers of applications and patents.

Regardless of how many patent rights are affected, such a law change would have grave *practical* impact: If the law says that "first to file" wins the patent, then all patent prosecution specialists (including NAPP members) would be put in a position of racing to file new applications - in *all* new applications - because a practitioner can never be sure whether some other inventor is working to apply for the same invention. A "race to file" will result in the quality of patent drafting suffering. Patent quality is a significant concern, and this provision would worsen, not help, the problem.

This provision contains significant bias against small entities: Large entities often file quickly anyway, because they have fleets of attorneys on staff or retainer. Large-company lawyers often have working knowledge of the company's field of business and can address new and related inventions quickly. Large companies often file multiple applications at each stage of their invention process.

By contrast, smaller and fledgling business often must hire a patent attorney or agent for the first time, to secure one key patent, which may be needed for the company's very survival. Smaller businesses typically must educate the patent practitioner on the company's specific invention. Working with patents is often an unfamiliar process for the inventor and business-people in a small company. Without the resources of larger companies, overcoming such challenges takes time, which small companies would not have if the law changed.

The same section of the bill, as currently drafted, says that publication to the general public can prevent later patent filings or publications from qualifying as prior art. This part of the bill, which redefines the "prior art," also applies to *all* new applications and patents. It, likewise, disproportionately helps large entities, because smaller entities are more likely to keep inventions secret, for fear of being "ripped off," while big entities are more likely to announce inventions when they make them.

NAPP urges the Senate to allow inventors to maintain an earlier effective date by proving that they invented the invention first and took no more than a reasonable time to show diligence towards filing application. If a compromise is desired to eliminate a few troublesome interferences or any instances of abuse (and we are not aware of any cases of abuse), then a provision could be crafted to limit proof of earlier invention to a fixed period, such as up to a year or two years before filing the patent application.

Finally, the last patent bill, S. 1145 (2007-08 term) presented first-to-file as an inducement to foreign governments to change their patent laws in ways beneficial to American inventors. During decades-long international negotiations on patent

“harmonization,” the United States has consistently asked foreign countries to allow inventors a “grace period,” so that they can begin commercialization for up to a year before a first patent application, as is allowed under U.S. law, *see* 35 U.S.C. §102(b) (publication or sale invalidates a patent application only more than one year before effective filing date). On the other hand, foreign countries have asked the U.S. to move to “first to file,” to promote harmonization with (weaker) foreign patent laws. Last term, S. 1145 made the “first to file” change effective only if the Japanese and European patent laws moved in the U.S. direction on the “grace period” issue. If “first to file” is desired at all, to avoid loss of leverage for U.S. inventors in harmonization negotiations, it should have a conditional and deferred effective date, as in S. 1145.

Second Problem: Concerns about post-grant review have not been addressed

The proposed bill still fails to address adequately the problem of infringers who make repeated challenges to patents after they issue. The new “post-grant review” provision instead adds an *extra* chance for infringers to challenge patents. Such changes are not helpful. A company or person who decides to challenge a duly issued patent ought to bring all challenges at one time and ought to be banned from litigating them twice, either through subsequent proceedings in the Patent Office or in a court. Each of the four proposed changes discussed below increases the likelihood of challenges to patents, and thus increases uncertainty about the strength of issued patents.

First, the bill (SEC. 5(d)) proposes weakening the strong “estoppel” provision in third-party reexaminations, by eliminating the words “or could have been raised.” This change would allow a challenger who loses a contested reexamination on a first ground to later challenge the same patent (in reexamination or court) on a second ground, even if the challenger knew of the second challenge but intentionally saved it in reserve.

Second, §§324, 334 of the new post-grant review provision (SEC. 5(f)) bar successive post-grant reviews and (inconsistently with the first point) retain the “could have been raised” language, but reserves that language only for post-grant review proceedings following a court decision. Given that few post-grant review will happen after the first year after issuance (*see* §322), the language does not help. Under the bill now pending (*see* §335), anyone can bring a post-grant review on a first ground, lose, yet still challenge the patent in reexamination or court on a second ground, even if the challenger knows of the second ground at the time of the post-grant review. The bill should be amended to apply the “could have been raised” language to subsequent court or reexamination challenges after a challenger loses a post-grant review challenge.

Third, Congress ought to ban all *anonymous* challenges to issued patents. Challenging patents through proxies ought not to be allowed. Such a rule should cover any form of challenge to a patent: post-grant reviews, reexaminations (either *inter partes* or *ex parte*), pre-issuance prior art submissions (expanded by this bill), or post-grant citations of prior art. Anonymity prevents proper application of estoppel, and there is no reason why patent owners or courts should know if an accused patent infringer has brought multiple challenges to a patent.

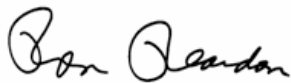
Fourth, crucially, any new post-grant review (opposition) process ought not to become a routine practice every time a significant patent issues, as has happened in some foreign countries that have opposition provisions. Our already-backlogged Patent Office cannot handle such an effect. If Congress wishes to allow opposition to improve quality, such should be reserved for rare situations where there are *serious* challenges to examiner decisions. Normally, our Patent Office decisions are right and ought to be respected. To reserve opposition for unusual cases, Congress might (1) establishing a presumption that the examiner knew what he or she was doing when issuing the patent in the first place (this is usually done by imposing a presumption of validity based on presumption of administrative regularity, and a “clear and convincing evidence” standard, both contrary to §328 of the bill), or (2) set a higher threshold for initiating oppositions (note that, in reexamination matters, the Patent Office has interpreted the standard “substantial question of patentability,” now in the bill (§325(a)), to allow roughly 90% of all challenges).

The parts of the bill discussed in this letter that relate to post-grant challenges to patents likewise harm small entities disproportionately. Large entities have many patents, and a challenge to one patent is unlikely to eliminate or delay protection; whereas small entities that have only one patent (or a few patents) cannot gain from a patent position until challenges have been overcome or addressed. Large entities, also, have the means to monitor patents as they issue and bring oppositions, whereas small entities often do not.

As offered before, NAPP would be pleased to work on balanced patent “reform” to eliminate abusive practices without harming honest small businesses and inventors, who need a strong patent system. We also stand ready to help, if asked, by suggesting new, pro-patent changes that would tend to make patents *more* valuable and encourage invention.

Please let us know how we can help.

Very truly yours,
National Association of Patent Practitioners



Ron Reardon
President



Louis J. Hoffman
Board Member & Chair, Government
Affairs Committee

NAPP Contact Information

The National Association of Patent Practitioners

4680-18-i Monticello Ave., PMB101
Williamsburg, VA 23188
Tel. 800-216-9588
Fax 757-220-2231

Ron Reardon

President
3356 Station Court
Lawrenceville, GA 30044-5674
Tel. 770-241-4907
Fax 770-736-6633

Louis J. Hoffman

Board Member & Government Affairs Liaison
11811 North Tatum Boulevard
Suite 2100
Phoenix, AZ 85028-1604
Tel. 480-948-3295
Fax 480-948-3387