

Statement of
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Before the
Subcommittee on Intellectual Property,
Competition, and the Internet
United States House of Representatives
Washington, D.C.
On
The America Invents Act
H.R. _____

March 30, 2011

Mr. Chairman and distinguished Members of the Committee:

I thank you for the opportunity to testify on various aspects of patent law reform including the America Invents Act. Although I am active in a number of professional organizations with interests in patent law reform, including the Patent Public Advisory Committee, the American Intellectual Property Law Association, the Coalition for 21st Century Patent Reform, and the Intellectual Property Owners Association, I am appearing today in my capacity as the Vice President and General Counsel for Intellectual Property for The Procter & Gamble Company (“Procter & Gamble” or “P&G”) and its affiliates.

By way of introduction, I am a registered patent attorney with 26 years of experience in all aspects of patent law. In addition to drafting and prosecuting many patent applications, I have been involved in the re-examination and reissue of patents. I have also been involved in alternative dispute resolution, including mediation and arbitration, licensing, and litigation, both enforcing P&G patents and defending P&G against patent suits by others and before both judges and juries. I have advised my client on many patent issues throughout the world involving many technologies. Over the course of my career, I have negotiated or dealt with individual inventors, universities, start-ups, and companies of all sizes.

Four billion times a day, P&G brands touch the lives of people around the world. We have a strong portfolio of trusted, quality, leadership brands, including 24 billion dollar brands such as Pampers®, Tide®, Pantene®, Bounty®, Crest®, Olay®, and Gillette®. The P&G community includes approximately 127,000 employees working in over 80 countries. Business Week in 2008 selected P&G as the world’s 8th most innovative company.

While many associate innovation with computer companies rather than consumer products companies, that association is too limited. At P&G, “Innovation is our lifeblood”. Innovation is everything that we do that improves the value consumers get from trusting P&G brands, including new products and packaging designs to improvements to supply systems and organization productivity.

P&G invests over \$2.2 billion dollars per year in Research & Development. We employ over 8900 scientists in 29 research centers in 13 countries.

Patents and trademarks protect this investment in R&D as well as ensure P&G maximizes its return on its investment. Without strong IP protection, the value of our brands can be significantly diminished. Competitors would be free to copy our technological and commercial innovation without making the same investment or incurring the same risks. IP provides us a competitive advantage that leads to increased value for shareholders and improved products for consumers. P&G

maintains over 41,000 active patents worldwide and over 125,000 trademarks worldwide.

Traditionally, P&G's success resulted from internal invention that led to innovation. In 2000, our then CEO, A.G. Lafley, challenged the Company to reinvent our innovation business model. Mr. Lafley understood that the key to future sustained growth was a new concept of open innovation – leveraging one another's innovation assets. He made it a key strategic goal to acquire 50% of P&G's innovation from outside the company. This year, P&G will exceed that goal. Through our Connect & Develop innovation model, our R&D productivity has increased by nearly 60% and our innovation success rate has more than doubled while the cost of innovation has fallen.

An important learning from our Connect & Develop program was the realization that innovation was increasingly being done at small and mid-size entrepreneurial companies, universities, government labs, and by individuals. These entities were eager to form partnerships with industry and to license and sell their intellectual property.

One critical aspect of our Connect & Develop program thus became the ability to create and optimize the value of Intellectual Property for both P&G and its partners through sale, licensing or alternate means of commercialization. We have restructured our thinking on ownership and utilization of Intellectual Property to better benefit all parties. In-licensing of technology provides P&G with access to other's IP to accelerate P&G's innovation. We do much more in-licensing of technology than we have ever done before.

We also out-license P&G's internally developed Intellectual Property. The out-licensing program results in a source of revenue, decreased costs, and new opportunities for licensing, joint ventures, and strategic alliances. Over \$3 billion in sales by other companies is powered by P&G intellectual property.

In terms of patent litigation, P&G is typically about equally a plaintiff, enforcing its rights against infringers, and a defendant. Because we are in both positions, we take a very balanced viewpoint on litigation. As a defendant, patent assertions have some effect on our ability to innovate in that it diverts resources away from core research. However, given the time and effort we devote to avoiding issues with other patent owners before we market our products, this is a minimal cost compared to the overall R&D budget. Rather than hindering innovation, we often find that patents and patent litigation spur our competitors and us to find new and innovative ways to solve a problem by designing around the patented invention, often leading to a better and cheaper solution for consumers.

The need for patent reforms has not lessened since the National Academies' recommendations for patent law changes emerged in 2004. I believe that the substantial work of the House and Senate over the last seven years that led to the

passage by the Senate earlier this month of S. 23, The America Invents Act, can now be used by the House to conclude the effort to reform our patent law. We are now at the stage to take advantage of the progress made and finalize a bill that addresses the most urgent issues on which a broad consensus exists—transitioning the United States to a first-inventor-to-file system with clear, objective standards and efficient processes for determining patentability in a transparent process from publicly available information and assuring that the U.S. Patent and Trademark Office will have the resources it needs to provide a high-quality patent examination that can be completed in a timely fashion.

P&G's interest in patent law reform is to ensure that the patent system fairly rewards those who contribute to our society through the invention and development of new and useful products and processes. A fair, efficient and reliable patent system will continue to stimulate the investment in innovation that is necessary in today's technologically complex world to create the new products and processes that will lead to improving the lives of Americans and the rest of the world. In addition, the best promise for preserving and enhancing our place in an increasingly competitive global marketplace will be to stimulate U.S. investment in research-based industries. Appropriate patent reforms will maintain current jobs and create new jobs by continuing to encourage private sector R&D investment. Proposed changes that increase the likelihood that meritorious inventions will receive patent protection, and that resulting patents may be reliably enforced against infringers to promptly recover fair compensation should be favored, as these changes will have the greatest impact on stimulating R&D investment and job growth.

I especially appreciate your holding this hearing so quickly after the Senate has acted to pass S. 23. For too long now, many beneficial improvements to the patent system have been held hostage while solutions to difficult and highly controversial issues have been pursued. This afternoon, I will focus my remarks on how I believe the patent reform efforts in the last three Congresses can be melded together so that patent reform can become a reality in the 1st Session of the 112th Congress.

First-Inventor-To-File

An essential reform for significantly simplifying the patent laws, providing fairer outcomes for inventors, speeding final determinations of patentability, and reducing overall costs for procuring patents is the adoption of the first-inventor-to-file principle as recommended by NAS and originally proposed in H.R 2795 by Chairman Smith in 2005. This change in U.S. patent law would bring a much needed simplification of the process and reduce the legal costs imposed on U.S. inventors. It would also improve the fairness of our patent system, and would significantly enhance the opportunity to make real progress toward a more global, harmonized patent system in general.

Contrary to conventional wisdom, the current system frequently does not award patents to the first to invent. This is because it relies on a system based on complex proofs of invention, a system which is fundamentally unfair to independent inventors

and small entities due to its costs and complexities. The current system uniformly awards patents to the first-inventor-to-file for a patent, except where a second-to-file inventor can marshal sufficient, corroborated invention date proofs to overcome the presumption currently afforded under our patent law in favor of the inventor who filed first. Moreover, the expense and complexity of the first-to-invent system mean that an inventor can be first to make the invention and first to file a patent application, but still forfeit the right to a patent because the inventor cannot sustain the cost of the “proof of invention” system.

This was confirmed by former USPTO Commissioner Gerald J. Mossinghoff. Relying on USPTO data compiled over twenty years, he found that independent inventors, whose right to patent their inventions depended on their ability to prove that they were ‘first to invent,’ more often than not lost contests to determine who was first-to-invent.¹ In a follow-up paper, Mossinghoff found that the rate of loss by independent inventors had accelerated.² An analysis by Professors Mark A. Lemley and Colleen V. Chien suggested that the current first-to-invent contests are more often used by large entities to challenge the priority of small entities, not the reverse.³ This evidence further supports Mossinghoff’s conclusion that the first to invent system is not working to the benefit of small entities as many incorrectly believe.

Given the cost, complexity and demonstrable unfairness imposed by the present first-to-invent system, it is clear that a change to a first-inventor-to-file system in our patent law is justifiable simply on grounds that it is the best practice. In addition, with the adoption of a first-inventor-to-file rule, 35 U.S.C. §102 can be greatly simplified. Prior art would no longer be measured against a date of invention: if anticipatory information was reasonably and effectively accessible before the earliest effective filing date of a patent application, no patent issues. Similarly, the question of whether an inventor ‘abandoned’ an invention would no longer be relevant. And, of course, proofs of conception, diligence, and reduction to practice likewise become irrelevant. A first-inventor-to-file system will also clearly benefit businesses, both large and small. It will eliminate the present delays and uncertainty associated with resolution of lengthy interference proceedings that frustrate business planning. In addition, it will remove the potential cloud over important inventions that will always be present in a first-to-invent system.

With accompanying changes that bring objectivity to the determination of what information can be used to assess the patentability of an invention - patents, printed publications, or other publicly known information - the adoption of the first-inventor-to-file principle would allow the United States to join the world patent community and make patentability determinations on objective criteria using publicly available information. The public could more readily assess the patentability of granted patents and avoid

¹ Gerald J. Mossinghoff, *The First-to-Invent System Has Provided No Advantage to Small Entities*, 88 J. Pat & Trademark Off. Soc’y 425 (2002).

² Gerald J. Mossinghoff, *Small Entities and the ‘First to Invent’ System: An Empirical Analysis*, Washington Legal Foundation (April 15, 2005) <http://www.wlf.org/upload/0505WPMossinghoff.pdf>.

³ *Are the U.S. Patent Priority Rules Really Necessary?*, 54 *Hastings Law Journal* 1 (2003)

costly litigation. It would also facilitate making other reforms, especially the creation of a fair and effective opportunity to promptly challenge patents during a short period after grant to weed out any questionable patents that might have slipped through. Finally, adoption of first-inventor-to-file would encourage US inventors to file for patents more quickly, thereby preserving rightful priority for their inventions, both in the US and in countries around the world where priority is determined solely by who reaches the patent office first.

H.R. 2795 and H.R. 1908 (as introduced) would have transitioned from the current first-to-invent to a first-inventor-to-file principle at a date certain following the date of enactment of the Act. H.R. 1908 was amended before it was passed by the House, however, to condition or trigger the first-inventor-to-file principle taking effect upon the “patenting authorities in Europe and Japan” adopting a grace period substantially the same as that contained in H.R. 1908. H.R. 1260 continued this trigger. S. 515, the Senate counterpart to H.R. 1260, did not contain such a trigger and S. 23 does not either.

Denying the benefit of a first-inventor-to-file system to U.S. inventors would be unwise and would not be effective in internationalizing a grace period. The patent law harmonization treaty discussions began over twenty-five years ago and a successful conclusion appears further away now than ever. Further, since 1995, foreign-based inventors have had the benefit of a change in U.S. patent law required by the TRIPs Agreement that has allowed them to prove dates of invention based on work in their countries. This change largely, if not totally, eliminated the clamor of other nations for the United States to adopt a first-inventor-to-file system. Thus, the “persuasive” force of using U.S. adoption of first-inventor-to-file as a negotiating chip to obtain a grace period is very limited. The likely effect of this provision would simply be to deny to U.S. inventors the advantages of a first-inventor-to-file system, perhaps indefinitely. For these reasons, I would urge the Subcommittee not to condition the effective date for first-inventor-to-file on other nations’ adopting a grace period.

Post-Grant Reviews of Patents

Both the 2003 FTC Report and the 2004 NAS Study recommended, and H.R. 2795 included, an all-issues post-grant-review procedure in which a patent could be challenged promptly after a patent was granted on any of the issues of invalidity that could be considered in litigation. In the 110th Congress, this Committee crafted a constructive compromise for certain features in the post-grant review (“PGR”) procedures in H.R. 1908 prior to its approval by the House. This compromise continued to provide the opportunity for a robust, “first window” post-grant proceeding during the initial 12 months after patent grant, followed by an *inter partes* reexamination (“second window”) proceeding for the remainder of the life of the patent.

H.R. 1260 in the 111th Congress also provided for a prompt, robust post-grant proceeding and S. 23, as passed by the Senate, follows suit but adds some very

important safeguards that have been developed and refined during the consideration of post-grant proceedings. In the “first window” post-grant review (PGR) proceeding in S. 23 which is available during the initial nine months following patent grant:

- the threshold for initiating the proceeding requires that the information presented in the petition be sufficient to establish that it is more likely than not that at least 1 of the challenged claims is unpatentable;
- a petitioner cannot initiate a PGR if it has previously filed a civil action challenging the validity of the patent or more than six months after a petitioner is required to respond to a civil action filed by the patentee;
- a petitioner may not request or maintain a PGR with respect to a claim on any ground that the petitioner raised or reasonably could have raised during a PGR, and may not assert the invalidity of a claim in a civil action arising under section 1338 of title 28 on a ground raised during a PGR that resulted in a final written decision;
- if a patentee files an action alleging infringement within 3 months of patent grant the court may not stay its consideration of a motion for a preliminary injunction on the basis that a PGR has been filed or instituted;
- all PGRs will be conducted by the Administrative Patent Judges on the Patent Trial and Appeal Board (“PTAB”); and,
- a final determination in a PGR must be issued not later than 1 year after it is instituted (with a possible 6 month extension for complex cases).

In the compromise reached in H.R. 1908 for the “second window” inter partes reexamination proceeding, all issued patents, not just those issued after 1999, would be eligible for *inter partes* reexamination under sections 102 (novelty) and 103 (non-obviousness) based on prior patents, printed publications and certain written admissions of the patentee.⁴ Although some suggested allowing inter partes reexamination based upon prior public uses and sales, that suggestion was rejected as both unworkable and unfair.

Unfortunately, however, this compromise was not followed for second window proceedings in H.R. 1260 in the 111th Congress. That bill would have added a new paragraph (3) to § 301 of title 35 that would have expanded the grounds upon which a second *inter partes* reexamination could be instituted to include consideration of public uses or sales in the United States. Challenges based on such acts – uses and sales that could have occurred many years in the past after memories have faded and evidence has become hard to find, would have made a fair and effective procedure nearly impossible to achieve in a timely and equitable fashion. S. 515, the Senate counterpart of H.R. 1260, originally contained similar language,⁵ but after considering

⁴ H.R. 1908, as passed, would have expanded *inter partes* reexamination procedures to permit consideration of “written statements of the patent owner filed in a proceeding before a Federal court or the Patent and Trademark Office in which the patent owner takes a position on the scope of one or more patent claims.”

⁵ S. 515 as introduced would have amended paragraph (1) of Section 301 to allow the citation of “evidence that the claimed invention was in public use or sale in the United States more than 1 year prior to the effective filing date of the application for patent in the United States.”

the problems raised by the admission and proofs of such inherently unreliable grounds, the Senate Judiciary Committee voted to eliminate the “public use and sale” language in subsequent iterations of S. 515. The Senate Committee recognized that adding “prior public use or sale” to second window *inter partes* reexaminations in this procedural setting would severely disadvantage patentees. Challengers and patent owners should be given a full and fair opportunity to challenge and defend patents on a neutral playing field, preferably before the patentee has invested heavily in commercializing the invention. Adding prior public sale or use arguments in proceedings initiated many years after the alleged acts took place, without guaranteeing the right of the patent owner to take discovery and cross examine witnesses who might be available only through judicial process, would not provide a fair proceeding for patent owners. I believe the Senate correctly limited the grounds on which “second window” *inter partes* reexamination (IPR) proceedings could be initiated in S. 23 and would urge this Committee do so as well.

In addition to limiting the grounds on which such second window or IPR proceedings could be initiated, S. 23 also includes a number of important safeguards to avoid the problems experienced in the existing *inter partes* reexamination proceedings – problems such as taking more than three years to complete (excluding appeals) and the fact that two-thirds of the challenged patents are also being litigated, forcing patentees to defend in two forums simultaneously. The safeguards included in the “second window” IPR proceedings in S. 23 include:

- a higher threshold to initiate – a “reasonable likelihood that the [challenger] would prevail with respect to at least 1 of the claims challenged” as opposed to a “substantial new question of patentability affecting a claim of a patent;”
- strong estoppels (a challenger may not initiate a subsequent proceedings in the Office or in court on grounds that “the petitioner raised or reasonably could have raised”);
- an IPR may not be instituted or maintained if the petitioner or real party in interest has filed a civil action challenging the validity of a claim of the patent;
- an IPR may not be instituted if requested more than 6 months after the date on which the petitioner or real party in interest is served with a complaint alleging infringement of the patent;
- an IPR would be conducted as an adversarial proceeding by three Administrative Patent Judges on the Patent Trial and Appeal Board rather than by a patent examiner as a typical back and forth examination; and,
- final determinations of IPRs would be required in one year (18 months in exceptional cases).

These safeguards will make IPRs quicker, fairer, and less burdensome for both patentees and challengers than existing *inter partes* reexamination proceedings.

Patent Marking

One of the more recent and pressing problems plaguing patent owners today is the explosion of false patent marking lawsuits against businesses whose conduct has harmed no one. Following a recent decision of the Federal Circuit which suggested that plaintiffs might recover up to \$500 for each item falsely marked,⁶ opportunistic plaintiffs have deluged federal district courts with false marking suits targeting high volume products. In the overwhelming majority of these cases, the accused businesses have done nothing more than continue to sell products bearing proper patent numbers after the expiration of one or more of the enumerated patents.

Notwithstanding the Federal Circuit's admonition that

By allowing a range of penalties, the statute provides district courts the discretion to strike a balance between encouraging enforcement of an important public policy and imposing disproportionately large penalties for small, inexpensive items produced in large quantities.

the possibility of a *qui tam* plaintiff finding a pot of gold at the end of a false marking action rainbow has proven irresistible. It has been noted, regarding the *Pequignot v. Solo Cup Co.* case,⁷ that the maximum penalty could amount to a ten trillion dollar award for false marking."⁸

The origins of the marking provisions in Section 287 trace back to 1842⁹ when it was difficult to determine whether an article of manufacture was patented unless the patent owner notified the public by placing the term "patent," together with the number of the patent, on the product itself. The notice function served by section 287 is as outdated in today's internet-enhanced, mass communication world as a horse and buggy would be on today's super highways.

Failure to modernize the marking statute, including elimination of the *qui tam* provision, has opened the door to this costly and unproductive litigation. The vast majority of these suits are based on situations where products marked with a valid patent number continued to be sold for a time after the patent's expiration. Given the time and difficulty involved in changing molds or other means by which a product is marked as patented, it is hardly surprising that some such sales occur for a period of time.

⁶ *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009).

⁷ No. 2009-1547 (Fed. Cir., June 10, 2010)

⁸ "The New Patent Marking Police: Answering Clontech and Forest Group," Justin E. Gray & Harold C. Wegner (available at <http://www.grayonclaims.com/storage/MarkingPoliceVers4.pdf>).

⁹ 5 Stat. 544-45 (1842).

Statistics published by Justin E. Gray reveal that over 800 *qui tam* actions have been filed since the *Bon Tool* decision was handed down on December 28, 2009.¹⁰ The *Bon Tool* decision stimulated such actions with its holding that the statute “requires courts to impose penalties for false marking on a per article basis.” The Federal Circuit reinforced the incentive for *qui tam* actions in August 2010 by ruling that the phrase “Any person” in section 292(b) operates as a statutory assignment of the United States’ rights even though the *qui tam* plaintiff has suffered no injury.¹¹

If indeed there is any party that might suffer an injury, it would be the competitors of a patentee who failed to remove a patent number from a product. In line with this rationale, Representative Issa introduced H.R. 4954 in March 2010 to deter the deluge of false marking suits that have been filed in response to the new Federal Circuit standard. Representative Latta introduced similar legislation in September 2010 (H.R. 6352) and again in January 2011 (H.R. 243). Just two weeks ago, on March 14, Representative Issa introduced another approach to end the frenzy of false marking lawsuits. This measure, H.R. 1056, would totally preclude such suits involving properly marked products after the patent expires if no change is made in the manufacturing process or, if a change is made, the word “expired” is placed before the word “patent.”

S. 23, passed by the Senate on March 8, 2011, would also rein-in such false marking suits. It tracks Representative Issa’s earlier bill, H.R. 4954, and would provide a measure of balance by limiting such *qui tam* actions to those who have “suffered a competitive injury” as a result of the false marking. It would allow the United States to continue to seek the penalty, but would eliminate false marking litigation initiated by unrelated, private third parties primarily for personal gain. Competitors who do suffer actual competitive injury by virtue of a falsely marked patent could bring actions to recover damages adequate to compensate for their injury.

The revisions to the marking statute proposed by Representative Issa in H.R. 4954 and contained in S. 23 represent a fair and balanced solution that enjoys overwhelming support across all industries. I strongly urge that such provisions be incorporated into any patent reform bill this Subcommittee develops.

Adequately Funding the USPTO

One of the most critical problems facing the patent system today is the need to provide adequate and stable funding for the USPTO. Many of the criticisms and concerns about the patent system stem from the issuance of patents of questionable merit. While the provision in all of the patent reform bills to give the public a greater opportunity to submit relevant information to the Office will improve patent quality, it cannot compensate for the fact that the resources available to the USPTO have not kept pace with the growth in patent filings. In the past 20 years, the backlog of unexamined patent applications has grown from 104,179 in FY 1990 to 736,331 in FY

¹⁰ see Gray on Claims, <http://www.grayonclaims.com/>

¹¹ *Stauffer v. Brooks Bros., Inc.*, Fed. Cir. App. No. 2009-1428, -1430, -1453

2010.¹² However, more thorough examination, more training for examiners, upgrades to the IT infrastructure needed to enhance efficiency and implementation of the enhanced mechanisms available in S. 23, e.g., 3rd party submission of prior art, the new PGR proceedings, etc. all require funding that the USPTO does not have.

Both the NAS and FTC recognized this problem and recommended providing the USPTO with the resources and capabilities necessary to cope with a workload that has grown dramatically both in size and complexity. As patent rights have become more central to our nation's economic growth and competitiveness, the failure to have a fully funded Patent and Trademark Office is no longer acceptable. I cannot emphasize enough the need to ensure that the Office be given the financing and operational flexibility required to carry out these reforms effectively and efficiently.

Contrast this with current activities in China where the State Intellectual Property Office ("SIPO") is embarking on an unprecedented surge in hiring of patent examiners to more quickly process the rapidly increasing patent filings across China. According to a recent SIPO report, China intends to roughly double the number of patent examiners to 9,000 within the next 4 years.¹³ The US has only about 6,300 examiners. USPTO Director David J. Kappos is quoted in the NY Times article as stating that "The leadership in China knows that innovation is its future"...They are doing everything they can to drive innovation, and China's patent strategy is part of that broader plan."

Users of the patent system – large companies (such as P&G), small businesses, universities, and independent inventors - have long favored authorizing the Director to set fees charged by the Office as proposed in the 111th Congress by H.R. 1260, but only if coupled with a mechanism to ensure that the fees collected can be retained by the USPTO and spent for the purposes for which they were paid. This necessary step would have been achieved by H.R. 5322, introduced by the former Chairman, Mr. Conyers, and the former Ranking Member, Mr. Smith, late in the 111th Congress but unfortunately, this bill was only a funding measure and did not include the substantive revisions needed to improve the patent laws and procedures. This legislation would have established in the Treasury of the United States a revolving fund to be known as the "United States Patent and Trademark Office Public Enterprise Fund". Patent and trademark fees collected under the relevant sections of the patent and trademark laws would be deposited into the Fund and be available for use by the Director without any fiscal year limitation. This solution has been incorporated into S. 23 as passed by the Senate earlier this month. The House should now follow H.R. 5322 and S. 23.

Subjective factors in patent litigation

The NAS found that among the factors that increase the cost and decrease the predictability of patent infringement litigation are issues unique to U.S. patent

¹² United States Patent and Trademark Office Performance and Accountability Report, Fiscal Year 2010 <http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf>

¹³ "When Innovation, Too, Is Made in China, *New York Times Magazine*, January 1, 2011.

jurisprudence that depend on the assessment of a party's state of mind at the time of the alleged infringement or the time of patent application. These include whether a patent application included the "best mode" for implementing an invention, whether an inventor or patent attorney engaged in "inequitable conduct" by intentionally failing to disclose all prior art when applying for a patent, and whether someone "willfully" infringed a patent. The NAS concluded that reform in these areas would increase predictability of patent dispute outcomes and reduce the cost of litigation without substantially affecting the underlying principles that these aspects of the enforcement system were meant to promote.

One of these factors – willful infringement – was effectively addressed by the *en banc* decision of the Federal Circuit in *In re Seagate*¹⁴ was stricken from S. 23 before Senate passage. On the topic of issues that are clearly no longer necessary because of Federal Circuit decisions, I would add damages in light of *Lucent Technologies, Inc. v. Gateway, Inc.*¹⁵ and venue in light of *In re TS Tech USA Corporation*.¹⁶

Returning to the remaining subjective factors:

Best mode – The requirement in existing law for an inventor to disclose the "best mode" for carrying out the invention is one of the highly subjective aspects of current law that the NAS recommended be significantly limited or eliminated. It introduces unnecessary cost and unpredictability into patent infringement litigation, and does not provide the public with any better disclosure than that required by the written-description and enablement provisions of section 112.

Both H.R. 1260 and S. 515 (as introduced) would have only precluded the initiation of a PGR on the basis of the failure to disclose the "best mode;" neither bill would have eliminated it from the patent law. S. 23 would amend section 282(b) to remove failure to disclose the best mode as a defense to patent validity or enforceability. The elimination of this problematic feature as a basis for invalidating or rendering unenforceable a patent would reduce litigation costs and further harmonize US patent laws with those of the rest of the world. I would urge the Subcommittee to at least to so limit the best mode requirement or eliminate it altogether.

Inequitable conduct – The defense of unenforceability on the ground of inequitable conduct was originally intended to apply to egregious cases such as where a patent applicant intentionally misled the Office by, for example, failing to disclose prior art patents or publications that would have been fatal to obtaining a patent. NAS noted that the doctrine requires time-consuming, expensive, and ultimately subjective pretrial discovery, a principal source of soaring litigation costs. It has also resulted in patent applicants erring on the side of disclosing too much information of little value to the USPTO, burdening the examiner and not improving the quality of examination. NAS

¹⁴ 497 F.3d 1360 (Fed. Cir. 2007) (en banc)

¹⁵ 580 F.3d 1301 (Fed. Cir. 2009)

¹⁶ 551 F.3d 1315 (Fed. Cir. 2008)

recommended that the “inequitable conduct” doctrine – which permits a court to refuse to enforce an entirely valid and clearly infringed patent – be eliminated or at least substantially curtailed. Neither S. 515 nor H.R. 1260 contained any provision to implement this NAS recommendation, and the Senate did not address it in S. 23.

Supplemental examination

The bipartisan Managers’ Amendment to S. 515 contained a provision for “supplemental examination” which was continued in S. 23. This provision would allow a patent owner to ask the Office to consider or correct information believed relevant to patentability. If the information submitted raises a substantial new question of patentability, a reexamination will be ordered. Any patent emerging from such reexamination shall not be held unenforceable on the basis that such information had not been previously considered. While the “supplemental examination” does not correct the problems identified by NAS with the inequitable conduct doctrine, I believe the supplemental examination concept would be helpful to patent owners and would relieve the courts of unnecessary litigation.

Conclusion

Mr. Chairman, an effective and achievable patent reform bill is within our grasp. The problems identified by the NAS are satisfactorily addressed by S. 23 and the judicial rulings that I mentioned. Together, they provide solutions that will benefit the US patent system and the US Patent and Trademark Office, fairly balance the interests of the public, patent holders and patent challengers, and represent a balanced package of widely accepted improvements to the patent system. Given the hard work by Senate and House staffers and countless stakeholders over the past several years, the pieces are now in place. I pledge my full support to work with you to bring this difficult journey to fruition.