

November 19, 2013

The Honorable Bob Goodlatte  
Chairman  
Committee on the Judiciary  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Goodlatte,

IEEE-USA supports the stated goals of the *Innovation Act* (H.R. 3309) – to address abusive patent litigation and improve U.S. Patent and Trademark Office (“PTO”) examination quality. We appreciate your efforts to improve this bill by offering the Manager’s Amendment in the Nature of a Substitute, released yesterday (the “Bill”). This legislation will have significant impact on innovation, a matter central to IEEE-USA’s mission.

Our initial review of the Bill indicates that while it contains positive changes from the original bill, newly-introduced problematic provisions and several provisions that remain counterproductive may produce results contrary to the Bill’s stated goals. Moreover, the Bill does not help remove significant ambiguities that remain in the America Invents Act (“AIA”) with respect to the “grace period.” IEEE-USA believes that given the current language of the AIA, no competent patent attorney can advise their client that they have a “grace period” for secret commercialization – a critical period in the formative stages of small businesses and startups.

A positive feature of the Bill is the restoration of the original scope of the transitional review proceedings for Covered Business Method patents (“CBM”). However, the Bill provides an open-ended authority, unrelated to entity size or any other policy principle, under which “subject to available resources, the [PTO] may waive payment of a filing fee for a transitional proceeding.” This would provide the PTO plenary authority to arbitrarily pick and choose parties to reward with free proceedings, or to single out certain patent kinds for review free of charge. This provision contradicts § 10(a)(1)(2) of the AIA which provides that “fees may be set or adjusted ... *only* to recover the aggregate estimated costs to the Office.” Thus, the “available resources” are by definition those paid for by user fees and since all fees are set according to PTO’s costs to provide the service, there are no “available resources” for free. Effective January 1, 2014, the PTO’s CBM review request and post-institution fees are set based on PTO’s estimated costs to more than \$30,000 per petition. If such fees are waived for any party, fees for services for other users must be raised to subsidize that party. A single CBM fee waiver would be equivalent to the fee collected from more than 500 micro entity applicants filing a provisional application. IEEE-USA strongly objects to provisions that provide special treatment and a free pass to challengers of issued patents at the expense of patent applicants.

IEEE-USA could support in principle several provisions, such as heightened pleading standards and enhanced disclosure of real parties in interest, if redrafted in a balanced way and not overly burdensome on litigants. Unfortunately the Bill still misses the mark on these issues. We are concerned that the Bill unfairly shifts procedural burdens, costs and risks to patentees. For example:

- The Bill's patent infringement pleading standards require particularities of asserted claim elements matched to accused infringing product features but have no similar requirements that defendants show with particularity why they do not infringe. Since most patent infringement complaints draw a counter-claim of patent invalidity, any such counter-claim should also be pleaded with comparable particularity (e.g., citing applied prior art references to all claim terms) that would support the invalidity contention.
- The Bill attempts to shift litigation costs and expenses to benefit the prevailing party without adequately defining the term "prevailing party." In as much as litigation often has multiple issues, one party can prevail on one issue and another party can prevail on another issue. The Bill only creates uncertainty on this issue and fails to meet its stated goal.
- Real Party in Interest provisions require that parties asserting patents disclose all entities having a financial interest in the asserted patents. This will deter many investors and those holding security-interests in patents who, for privacy reasons, wish to remain anonymous. In contrast, no disclosure of Real Party in Interest is required for parties challenging patents in declaratory actions or at the PTO in reexamination and in post issuance proceedings.

We believe that other provisions in the Bill are still not sufficiently narrowly crafted to target litigation abuse and therefore would reduce the value and enforceability of patents more broadly. IEEE-USA believes that legislation addressing litigation abuse should be implemented in a manner that is not patent-specific or discriminatory against certain patent owners. For example, we are concerned that the discriminatory enhanced fee-shifting provisions have the potential of creating new unfair risks for particular litigants while rewarding others. While we favor judicial stays against innocent consumers of end products where a stay would promote fair and efficient resolution of a patent suit, we are concerned that the mandatory stay provisions are still overly broad and unduly shift the procedural burdens onto patentees. IEEE-USA objects to provisions that strip away or materially undermine patentees' enforcement rights to exclude the "use" of patented inventions.

IEEE-USA strongly opposes the repeal of Section 145, which unfortunately remains in the Bill. Under this repeal, applicants would be gratuitously denied the fundamental right of de-novo judicial review of adverse patentability determinations by the PTO when it refuses to consider certain evidence. The importance of this 170-year-old protective provision is in its restraining effect on PTO's potential abuse of discretion for all patent applicants – not just for those who would seek judicial review. A repeal of Section 145 would empower administrative decision-making, giving the PTO the final say, displacing the courts and severely eroding U.S. patent rights.

IEEE-USA believes that the "could have raised" estoppel in the current post grant law was a hard-fought compromise in the AIA legislation. The Bill still contains a provision that strikes the phrase "or reasonably could have raised." It would give accused infringers that should have raised all arguments administratively, piecemeal options in court to repeatedly challenge patent validity, unfairly burdening patent holders and increasing the complexity of litigation.

IEEE-USA notes an important provision that is still missing in the Bill. The presidential sequestration order issued on March 1, 2013 subjects the PTO's fees to sequester even though these fees are not taxpayer funds. This denies the PTO access to all user fees collected and thus, to the resources it needs to tackle the patent backlog. IEEE-USA opposes the sequestration of the PTO's resources.

IEEE-USA is an organizational unit of the Institute of Electrical and Electronics Engineers, Inc. (IEEE), the world's largest organization for technical professionals, and a leading educational and scientific association for the advancement of technology. IEEE-USA fosters technological innovation for the benefit of all, including more than 200,000 U.S. engineers, scientists, and allied professionals who are members of the IEEE.

IEEE-USA's members serve on the "front line" of the US patent system. Our membership includes inventors who create and use cutting-edge technology, who research and publish professional articles and journals, and who develop published standards that form the bases of widely adopted and critical technologies. IEEE-USA members are more than merely scientists and research engineers; they are also entrepreneurs and employees of firms that acquire, license, and market patented technology; proper operation of patent law is a critical interest of IEEE-USA.

We look forward to a continuing dialog with you and other members of the Judiciary Committee to address the concerns we have with the legislation as it develops during this legislative session.

Sincerely,

A handwritten signature in black ink that reads "Marc Apter". The signature is written in a cursive, flowing style.

Marc T. Apter  
IEEE-USA President

cc: The Honorable John Conyers, Jr., Ranking Member  
Members of the Committee on the Judiciary