

ROBERT A. ARMITAGE  
APRIL 14, 2015

I appreciate the opportunity to appear before this Committee for a second time to offer views on the Innovation Act. H.R. 9, once enacted, will constitute a set of major reforms to the U.S. patent system. Efforts of this magnitude are never easy. For Congress to find the necessary consensus to move forward is a true labor, often without love. This Committee has demonstrated its willingness to persevere the face of such difficulties to get important patent bills to the legislative finish line. It and its Senate counterpart played the lead roles in a seminal legislative achievement, the Leahy-Smith America Invents Act, which began its life here as H.R. 2795 in the 109<sup>th</sup> Congress.

My written testimony today is offered as support and encouragement for moving this Committee's latest effort, H.R. 9, into law in this Congress. I have offered some suggestions for making changes to the current text in the bill with the aim of securing broader support and enhancing its effectiveness. For a few provisions, I have suggested alternative measures to the same ends that the bill is seeking to achieve. The Committee may wish to test them to see if they might offer a path to a broader consensus.

At the end of my written testimony, I have made several suggestions for areas where the Committee may—now or later—wish to focus attention on topics that are not addressed at this point in H.R. 9. I realize that there is only so much that can fit into any one patent bill—and H.R. 9, as now constituted, is certainly not shy on sweep or scope. However, these additional topics, at least in my view, have the potential to add much to the effectiveness of the patent system.

I have also attempted as best I can not to be excessively repetitive in my written statement in light of my testimony at the October 29, 2013 hearing on the Act. For this reason, in my written statement today, I deliberately avoided commentary on United States Patent and Trademark Office funding issues. Next year the Office plans to collect and spend \$3.2 billion in user fees. It will use those billions to attack a huge backlog of unexamined patent applications. It will need resources to speed up an appeals process that today inflicts a multi-year wait in order to get a patent appeal decided. The Office also must fund improvements to its unfortunately fragile IT infrastructure. It should not face having its long-range strategic initiatives held hostage to the potential uncertainties inherent in the appropriations process. A permanent congressional funding fix is needed.

Finally, allow me to conclude with a few observations about the “inter partes review” procedure. The IPR procedure went live on September 12, 2012. It has, in its short life, become notorious. In more than one public forum, I've advocated for the outright repeal of the IPR procedure. I've done so for many reasons, one of which is to make needed room for the far more comprehensive and potentially far more important post-grant review procedure. If the IPR procedure is to survive, it needs more fixing than the laudable administrative measures now being implemented by the USPTO. I believe it needs structural changes that only Congress can make. I look forward to discussing today how best the IPR procedure might be changed so that it might be salvaged.

## Robert A. Armitage

Robert A. Armitage has been a consultant on IP strategy and policy since 2013. He was born in Port Huron, Michigan, and received a Bachelor of Arts degree in physics and mathematics in 1970 from Albion College. He received a master's degree in physics from the University of Michigan in 1971 and a Juris Doctor from the University of Michigan Law School in 1973.

Prior to his current role, Bob served for a decade as senior vice president and general counsel for Eli Lilly and Company. He had previously been Lilly's vice president and general patent counsel. Before joining Lilly in 1999, he was a partner for six years at Vinson & Elkins LLP, where he led the firm's Washington-based IP practice. He started his legal career in 1974 at The Upjohn Company as a patent trainee and served as Upjohn's chief intellectual property counsel from 1983 to 1993.

Bob is a past president of the American Intellectual Property Law Association and the Association of Corporate Patent Counsel and a past chair of the Section of Intellectual Property Law of the American Bar Association, the National Council of Intellectual Property Law Associations, the intellectual property committee of the National Association of Manufacturers, the Fellows of the American Intellectual Property Law Association, the patent committee of the Pharmaceutical Research and Manufacturers of America and the Intellectual Property Law Section of the State Bar of Michigan.

He has served as an adjunct professor of law at George Washington University, a member of the board of directors of Human Genome Sciences, Inc., and president of the board of directors of the Hospice of Southwest Michigan, Inc. He has also served as a member of the board of directors of both Intellectual Property Owners (IPO) and the National Inventors Hall of Fame Foundation (NIHFF). He also served as a member of the U.S. Department of State's Advisory Committee on International Economic Policy.

In 2004, the American Intellectual Property Law Association awarded Bob its highest recognition for lifetime achievement in intellectual property, the AIPLA Excellence Award. In 2008, the New Jersey Intellectual Property Law Association awarded him its Jefferson Medal, an award recognizing exceptional contributions to the field of intellectual property.

More recently, he was inducted into the IP Hall of Fame in recognition of his decades-long advocacy of legislation to modernize the U.S. patent system and, in 2013, *Managing Intellectual Property Magazine* presented him with its Outstanding Achievement in IP Award, recognizing the role he played in the efforts to enact the Leahy-Smith America Invents Act.

Statement of  
Robert A. Armitage

Before

The United States House of Representatives

Committee on the Judiciary

On

“H.R. 9 – The Innovation Act”

2:00 p.m.  
April 14, 2015  
2141 Rayburn House Office Building

Committee Chairman Goodlatte, Ranking Committee Member Conyers, and Members of the Committee:

My name is Robert Armitage. I am pleased to have this opportunity to testify on H.R. 9, the “Innovation Act,” a bill “To amend title 35, United States Code, and the Leahy-Smith America Invents Act to make improvements and technical corrections, and for other purposes.”

My last appearance before this Committee was on October 29, 2013, when the subject was H.R. 3309, the version of the Innovation Act that was introduced in the 113<sup>th</sup> Congress and that passed the House on December 5, 2013.

I applaud the persistence of the Committee in its pursuit of legislation that will improve the operation of the patent system. Its continuing work on a major patent bill is particularly gratifying to supporters of a strong and effective patent system, particularly in light of the Committee’s many-year efforts that led to the enactment of the Leahy-Smith America Invents Act of 2011.<sup>1</sup>

The effort that led to the enactment of the AIA began in the House Judiciary Committee with Chairman Smith’s bill H.R. 2795 (109<sup>th</sup> Congress, June 8, 2005). Thus, the continuous efforts by the Committee to secure major reforms—providing much needed improvements to our Nation’s patent laws and the operation of our patent system—now span an entire decade.

My testimony in the last Congress on H.R. 3309 was no less than 60 pages, inclusive of a 38-page appendix that offered a look ahead at additional legislative changes I believe are important to further secure the AIA’s central reforms to the U.S. patent system.<sup>2</sup> Given that document is already of record, my intention is to focus my efforts today to address developments over the past 18 months. In the main, these developments have largely cinched the case for proceeding now with additional patent litigation reforms.

With that focus in mind, let me begin with a discussion of the attorney fee-shifting or “loser-pays” provisions in H.R. 9.

### ***H.R. 9 Should Mandate Fee-Shifting as Its Primal Patent Litigation Reform Initiative***

Nearly 70 years ago, Congress spoke to fee-shifting in patent cases by enacting a statutory provision that provided for a non-prevailing party to be awarded a prevailing party’s attorney fees. This 1946 amendment was discretionary, *i.e.*, the trial court “may in its discretion award reasonable attorney’s fees to the prevailing party upon the entry of judgment in any patent case.”<sup>3</sup> The 1952 Patent Act recodified the 1946 amendment by adding the “exceptional case” limitation currently to be found in 35 U.S.C. § 285. This

---

<sup>1</sup> Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>2</sup> See <http://judiciary.house.gov/files/hearings/113th/10292013/Armitage%20Testimony.pdf>.

<sup>3</sup> See 35 U.S.C. § 70 (1946 Ed.); R.S. 4921 (§ 70).

addition—at least according to the legislative history—was to affirm the original intent of the 1946 amendment.<sup>4</sup>

Even before the “exceptional case” standard was included in title 35, the courts generally were awarding such fees only by exception. The judicial antipathy to “loser pays” is clear from reading any number of decided cases.<sup>5</sup> The term “in exceptional cases” was implemented more as “in the rare case.” That said, such awards were occasionally made, including to patent holders in Hatch-Waxman cases.<sup>6</sup>

The Supreme Court recently set out a revised framework for the courts to address the current attorney fee award provisions under 35 U.S.C. § 285. Subsequent to this Committee’s October 2013 hearing on the Innovation Act, the Court decided the *Octane Fitness* case.<sup>7</sup>

In the view of many commentators, the Supreme Court used *Octane Fitness* to demystify what had become an overly complex law that had developed on the standard required to demonstrate that the litigation represented an “exceptional case.” Today, an *exceptional* case means nothing more than the case is uncommon or not run-of-the-mill.<sup>8</sup> The Court jettisoned from the law any Federal Circuit holdings to the contrary.<sup>9</sup>

Since the Supreme Court’s holding, there have been numerous not-run-of-the-mill findings by trial court judges that have resulted in the award of attorney fees. However, many prevailing parties continue to be denied attorney fees. During the month of March, the Intellectual Property Owners Association reported decisions made on sixteen motions for attorney fees. Of these sixteen requests, attorney fee awards were denied 9 times and were granted 6 times, with one decision deferring on the merits.<sup>10</sup>

I offer this outline of the developments on this issue since my October 2013 testimony in part because it helps to frame the obvious question that the Committee must

---

<sup>4</sup> Reviser's note to Title 35 U.S.C. A. § 285, “‘in exceptional cases’ has been added as expressing the intention of the present statute as shown by [the 1946] legislative history and as interpreted by the court.”

<sup>5</sup> The facts in *Phillips Petroleum Co. v. Esso Standard Oil Co.*, 91 F. Supp. 215 (D. Maryland 1950) suggest the reluctance even before the 1952 Patent Act to make an award of attorney fees.

<sup>6</sup> *Eli Lilly and Co. v. Zenith Goldline Pharm., Inc.*, 264 F. Supp. 2d 753 (SD Indiana 2003).

<sup>7</sup> *Octane Fitness v. ICON Health & Fitness*, 134 S. Ct. 1749 (2014).

<sup>8</sup> “We hold, then, that an ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances. As in the comparable context of the Copyright Act, [t]here is no precise rule or formula for making these determinations, but instead equitable discretion should be exercised ‘in light of the considerations we have identified.’ *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994).” 134 S. Ct. at 1756.

<sup>9</sup> Among other aspects of Federal Circuit law declared inapplicable, the Court rejected “the Federal Circuit’s requirement that patent litigants establish their entitlement to fees under § 285 by ‘clear and convincing evidence.’” 134 S. Ct. at 1758.

<sup>10</sup> See *March Fee-Shifting Reports*, <http://www.ipo.org/index.php/2015/04/march-fee-shifting-reports/>.

wrestle with—*given what the courts have done on this issue since 2013, is there more for Congress to do on this issue in 2015?*

Let me suggest that there is more—perhaps much more—that Congress might do at this juncture to address attorney fee awards for the good of the patent system.

First, for the good of the patent system as a whole, I'd submit that there is far too much patent litigation that is brought and pursued. Patent lawsuits, as the Committee has heard time and time again, can produce abusive litigation conduct, whether on the part of the patent owner or the part of the accused patent infringer.

Why—at least from the vantage point of the long-term health of the system as a whole—might there be an inverse correlation between the quantity and intensity of patent lawsuits and the effectiveness of the patent system as an engine for promoting progress in the useful arts?

At its core, the patent system is a property rights system. Investments are made, products are developed, and businesses are built based on the expectation of exclusive rights under patents. In addition, for the patent system to work in some state of balance, those who create new products and new businesses need to be able to discern whether or not they will be free to market their creations, that is, be free to operate without infringing competitors' valid patent rights.

The hallmark of any property rights system should be the efficiency with which valid property rights can be established and defended—and bogus claims can be eliminated. In a high-functioning property rights system, the speed to determination and the predictability of the outcome must be extremely high. Most critically, however, the associated costs with such assessments and enforcement activities must be low in relative terms—ideally, a tiny fraction of the intrinsic value of the property rights at issue.

In the real world, how does the U.S. patent system today stack up against these very fundamental criteria for evaluating a high-functioning property rights system? I do not have actual data to answer this question empirically. However, my own personal experience, both from my 13 years of experience as head of a corporate IP organization for two major biopharmaceutical companies and from my six years of working with clients in private practice here in Washington, D.C., provide me with both insights and some prejudices.

Whether a patent lawsuit arose 30 years ago, 3 years ago, or 3 months ago, the dilemma faced by a large percentage of patent litigants is pretty much the same.

For many accused infringers, when confronted with an infringement allegation of no likely merit, outsized litigation costs can render it economically irrational to pursue the available defenses. When this happens, the time, uncertainty and cost involved in vindicating an invalidity or non-infringement position permit even a bad patent to be assigned a substantial economic value. This value arises solely because the alternative is

millions of dollars and years of effort to secure a favorable result that—as most patent litigators will advise—is at best probabilistic.<sup>11</sup>

I've been involved in situations where a simple reading of a patent was enough to establish an overwhelming likelihood of ultimate success in defeating a patent infringement claim, only to see the accused infringer—sometimes after spending millions of dollars in attorney fees—make a rational business decision to abandon its defenses and seek a settlement.

Like any coin, of course, there are two sides. I have also seen patent infringers use litigation tactics calculated to inflict remarkable pain on patent holders. Between pleading any conceivable defense to validity or enforceability—and seeking any and all possible discovery—the patent owner's the time and expense to vindication of its valid patent rights can be so great that the patent owner can be forced to consider stepping away from the fight and offering a settlement that greatly undervalues the patent's intrinsic worth. Litigation burdens can put the inventor holding a strong patent in a weak position—just as litigation burdens can convert a weak patent—or a portfolio of weak patents—into an overvalued asset.

Self-evidently, it cannot be a good sign for any property rights system if the litigation/enforcement regime often operates to weaken the strongest property rights and strengthen the negotiating hand of those holding the least meritorious property claims. In my view, H.R. 9's reason for being is to help upset this type of litigation playing field—that forces the value of property rights to depend far too much on available litigation tactics and the underlying unpredictability that such tactics engender.

My belief, notwithstanding the *Octane Fitness* holding and notwithstanding the apparent progress on the attorney-fee issue chronicled in the IPO statistics, is that a more uniformly applied “loser-pays” system for civil actions involving patents could be the single most important patent litigation reform that this Congress might enact at the present time. Specifically, I would like to posit a possible “parade-of-wonderfuls” that might result from a reform of this type.

First, it should make strong patents even stronger. An accused infringer with a weak case—using delay and aggressive defense tactics designed to drive up the cost of its defense—would need to factor into this litigation calculus that it may well be driving up the patent owner's likely attorney fee award recovery.

Second, it should make weak patents even weaker. A patent owner with little prospect of success, but with a greater prospect that the accused infringer's cost of defense would drive a lucrative settlement, would need to factor into any litigation game plan the potential incentive an accused infringer would have to see a litigation through to the end, given the prospect of recovering its full cost of defense.

---

<sup>11</sup> Lemley, Mark A. and Shapiro, Carl, *Probabilistic Patents*. Journal of Economic Perspectives, Vol. 19, p. 75, 2005; Stanford Law and Economics Olin Working Paper No. 288. Available at SSRN: <http://ssrn.com/abstract=567883> or <http://dx.doi.org/10.2139/ssrn.567883>.

Third, it would make speculative patent assertions and speculative patent defenses less viable bets. A patent owner with a 50:50 prospect that its patent might or might not be infringed facing a accused infringer with a 50:50 prospect its non-infringement defenses might or might not prevail would both face the potential for a double-or-nothing bet on their respective costs to assert or defend—if loser-pays were the default rule.

In such maybe-yes/maybe-no patent infringement cases, the loser-pay default rule could make early settlement, rather than litigation warfare, the better part of valor for both sides. All around, therefore, a loser-pay default rule on attorney fees should operate to reduce the level of patent litigation—perhaps in a dramatic manner.<sup>12</sup>

It could further discourage procuring bundles of low-quality patents—they would no longer be valued based upon the cost of defense if each accused infringer had a reasonable certainty of recovering defense costs. At its opposite pole, it could assure a well-conceived, high-quality patent would garner respect—and serve as a rock-solid asset for attracting investments to proceed with development and commercialization of the new technology it protects.

The biggest—and a quite legitimate—concern over the loser-pays rule is the access-to-justice issue. This concern should be taken into careful account in any legislation and appropriately temper any rule where the access concerns outweigh the property-rights imperative.

A lesser issue arises from the historic concern expressed by elements in the university community over a loser-pays rule.<sup>13</sup> Their expressed concern does not differentiate—as I believe needs to be done—between the enhanced ability to enforce strong patents with well-targeted infringement allegations and reduced prospects for

---

<sup>12</sup> To some degree, the effectiveness of the “loser-pays” provisions is tied to the success of the joinder provisions of § 3(c) of H.R. 9 to perform as designed. Under § 3(c)(9), a new subsection (d) is added to 35 U.S.C. § 299 permitting joinder of persons with a direct financial interest in the patent at issue, presumably meaning a right to share—directly or indirectly—in any proceeds from the litigation, if successful. While this particular provision is complex, and likely would be ineffectual in some situations, no better alternatives appear to have surfaced. One suggestion for creating a form of “contingent liability” has been raised, but its mechanism has been described only in general terms. See <http://www.patentsmatter.com/issue/pdfs/JoinderofInterestedParties.pdf>. Were it to operate where the joinder cannot (*e.g.*, where venue provisions would prevent its application), it might be a superior approach to assuring that the loser-pays provision actually does result in a loser paying.

<sup>13</sup> See Association of American University Comments on S. 3818, Patent Reform Act (February 1 2007), p. 5, at <http://www.aau.edu/workarea/downloadasset.aspx?id=2466>:

“We oppose the change to Sec. 285 which would change current law to award attorney’s fees to the prevailing party unless the court found that the position of the non-prevailing party was ‘substantially justified’ or ‘special circumstances’ make an award to the prevailing party unjust. This proposed change would be particularly problematic for universities, small businesses, independent inventors, and other entities for which the substantially increased financial risk of enforcing their patents against infringement would seriously impair their ability to defend their patent rights. Additionally, this proposed change would significantly erode the presumption of validity accorded to all patents under Sec. 282 by placing the financial risk of an invalid patent on the patentee rather than maintaining the financial risk of a presumptively valid patent on the challenger to validity.”

succeeding with speculative infringement allegations, particularly with respect to patents of questionable validity.

In brief, patent holders across the spectrum—from universities and other non-practicing entities to startup enterprises to established manufacturing concerns—all benefit if their strongest patents face a reduced incentive on the part of the accused infringer to pursue speculative defenses designed to drive up the time and cost to complete to successfully enforce the patent.

H.R. 9 appears to represent a prudent path forward on the question of attorney fees. The default rule becomes “loser pays.”<sup>14</sup> The default rule can be overcome if “the court finds that the position and conduct of the nonprevailing party or parties were reasonably justified in law and fact or that special circumstances (such as severe economic hardship to a named inventor) make an award unjust.”<sup>15</sup>

In summary, H.R. 9’s potentially most significant patent litigation reform is its default “loser pays” rule. It provides an enforcement regime that is consistent with driving the patent system to become a more effective property rights system.

### ***H.R. 9 Should Mandate the Early Discovery Stays If They Serve the Interests of Justice***

The costs of discovery in patent litigation can be enormous. It is not unknown for a single discovery order to add a multi-million dollar cost to a patent lawsuit. Discovery costs are another “equal opportunity” impediment to the patent system operating as an effective property rights regime—both patent owners and accused patent infringers can be dissuaded from the pursuit of meritorious litigation positions because of the outsized cost burden of compliance with the discovery orders that attend a major patent lawsuit.

The AIA was a giant step forward for the patent system in reducing discovery opportunities in patent litigation—largely by crafting patent validity criteria under which the standards for patentability were made far more transparent, objective, predictable and simple.<sup>16</sup> More reform of this type would serve the public interest in efficient resolution

---

<sup>14</sup> Under new § 285(c), a patentee who has not prevailed in the litigation and has withdrawn from the litigation by offer a “covenant not to sue” under the patent is treated as a nonprevailing party and may be subject to an award of attorney fees if its litigation positions were not reasonably justified. While such a provision might discourage settlements of litigation if the loser-pays rule were to apply irrespective of the reasonable justification of the patent owners’ litigation positions, it would not appear problematic in the vast majority of situations where a bona fide issue of infringement was pled and the negotiating posture of the parties eventually results in a covenant not to sue and a certain-to-be-sought counter-covenant not to seek attorney fees, as part of the overall settlement agreement.

<sup>15</sup> H.R. 9 (114<sup>th</sup> Congress), § 3(b)(1).

<sup>16</sup> Among the major, discovery-laden aspects of the patent litigation that were eliminated were the subjectively determined “best mode” requirement, all aspects of the patent law that relied upon the “deceptive intention” criteria, any ability by the patentee to rely on the inventor’s alleged “date of invention” to avoid novelty and non-obviousness arising from pre-patent filing prior art, the forfeiture of the right to patent based on secret, pre-filing activities undertaken by or on behalf of the inventor (*i.e.*, the non-public “public use” and secret sale offer doctrines), the “invention abandonment” defense and the inventor’s private knowledge defenses. The intention of the AIA’s provisions was that an accused infringer

of patent infringement lawsuits.<sup>17</sup> As the promise of the AIA comes fully to fruition, discovery burdens on the next generation of patent owners should ease—as an ever-growing proportion of issued patents over the next two decades will be AIA patents.

These accomplishments under the AIA do relatively less to ease an accused infringer’s discovery burdens. This is particularly so where the infringement allegations of the patent owner relate to non-public activities undertaken by the accused infringer.

H.R. 9 attempts to address the accused infringer’s discovery burdens with a discovery-timing provision. Under § 3(d)(1) of H.R. 9, the bill adds a new 35 U.S.C. § 299A. When this provision applies, it will bar any full-bore discovery until a so-called “Markman hearing” has been conducted.

The Markman process provides the parties to the litigation with a ruling on the meaning of terminology used in the patent claims. If the court determines a ruling on claim terminology is required, then § 3(d)(1) provides that the only discovery the court may ordinarily permit prior to the Markman ruling is that relating to claim terminology.

The proposal as currently set out in H.R. 9 poses several issues that require careful consideration by the Committee.

First and foremost, the Markman process itself is not an inexpensive endeavor for the litigants. The preparation and execution of a Markman hearing can be hugely costly. Because § 3(d)(1) would make the Markman hearing a predicate to proceeding further with the discovery needed to ultimately resolve the case, the incentive to conduct and complete the Markman process may add costs to the litigation that ultimately do not accelerate final resolution or reduce the overall costs involved to resolve the litigation.

Moreover, in many cases, an early Markman ruling itself will not be dispositive of the validity or infringement issues in the lawsuit. In such cases, instead of facilitating a prompt and economical management of the infringement action, the Markman hearing again merely adds to the time and cost needed to get to a final resolution. Nothing in proposed § 299A would require that the Markman outcome be potentially dispositive of the infringement claim.

---

ought to be able to have a person, knowledgeable in the technology of the invention and in the patent law, pick up a patent, review its contents, and consult only publicly available sources of information in order to be able to make a complete and accurate determination of the validity of the patent—and, thus, the merit of the possible infringement claim.

<sup>17</sup> The biggest omission of the AIA lay in not categorically eliminating the judge-made “inequitable conduct” defense to the enforceability of an issued patent. The defense, although supposedly grounded on the policy that misconduct before the United States Patent and Trademark Office in the procurement of a patent should be appropriately sanctioned, in fact produces only unintended consequences. The doctrine imposes no incremental penalty whatsoever on patent fraudfeasor who procures an entirely invalid patent and invokes the mandatory and draconian punishment of permanent unenforceability of a patent that is otherwise wholly valid and enforceable even in situations where the patent owner itself was entirely innocent of the alleged misconduct.

In addition, the earlier in the litigation that the Markman process is undertaken, the more likely it becomes that the court may eventually experience “Markman remorse.” When the postponed discovery has finally taken place, and a full understanding of the invention and its creation has been developed, the court may be persuaded to modify or reverse its earlier Markman ruling and come to a contrary construction on one or more key claim terms. Again, this affords more possibility for added expense.

Finally, the Supreme Court’s very recent *Teva* decision<sup>18</sup> may render the use of the Markman process as a discovery “control gate” less desirable in a significant number of lawsuits. The Court’s *Teva* holding that greater deference must be given to the fact-finding of the district court may well mean that the Markman process will be accompanied by more fact finding (with requests for more discovery to find the “facts”). The result could be longer delays and greater overall costs in the completion of the Markman process.<sup>19</sup>

All these factors suggest that the Committee might consider whether better alternatives may exist, ones that could function independently of the Markman process, as a discovery “control gate” mechanism. In particular, it might be possible to find an alternative to the provisions in § 3(d)(1) that would be greeted with a broader consensus as to its merit and a lesser likelihood of producing undesirable consequences.

One possibility that may merit some consideration by the Committee would be to impose the same limits on discovery as are found in § 3(d)(1) to the final resolution of motions to transfer venue.<sup>20</sup> Such a limitation could be imposed in lieu of the existing H.R. 9 Markman provision by making only modest changes otherwise to § 3(d)(1).

Currently, proper venue determinations in patent infringement lawsuits are governed by 28 U.S.C. § 1400(b).<sup>21</sup> During the consideration by Congress of the patent

---

<sup>18</sup> *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, App. No. 13-854 (Jan. 20, 2015).

<sup>19</sup> “In some cases, however, the district court will need to look beyond the patent’s intrinsic evidence and to consult extrinsic evidence in order to understand, for example, the background science or the meaning of a term in the relevant art during the relevant time period. See, e.g., *Seymour v. Osborne*, 11 Wall. 516, 546 (1871) (a patent may be ‘so interspersed with technical terms and terms of art that the testimony of scientific witnesses is indispensable to a correct understanding of its meaning’). In cases where those subsidiary facts are in dispute, courts will need to make subsidiary factual findings about that extrinsic evidence. These are the ‘evidentiary underpinnings’ of claim construction that we discussed in *Markman*, and this subsidiary fact-finding must be reviewed for clear error on appeal.” Slip op. p. 12.

<sup>20</sup> While no interlocutory appeal right exists for motions to transfer venue, mandamus is an available route for appellate review. See *In re Volkswagen AG*, 371 F. 3d 201 (CA 5th Cir. 2004) in which the Court of Appeals for the Fifth Circuit ordered a lawsuit transferred from the Eastern District of Texas to the Western District of Texas in San Antonio upon motion to transfer venue under 28 U.S.C. § 1404(a), after concluding that the trial court had abused its discretion in failing to grant the motion to transfer venue. The applicability to the patent venue statute is reflected in *In re TS Tech USA Corp.*, 551 F. 3d 1315 (Fed. Cir. 2008), *In re Nintendo Co., Ltd.*, 589 F. 3d 1194 (Fed. Cir. 2009), *In re Genentech, Inc.*, 566 F. 3d 1338 (2009), and *In re Acer America Corp.*, 626 F. 3d 1252 (Fed. Cir. 2010), in which mandamus resulted in the transfer of venue out of the Eastern District of Texas in each instance.

<sup>21</sup> “Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”

reform bills that led to the AIA, significant efforts were devoted to the issue of venue reform for patent infringement lawsuits.<sup>22</sup> However, during the AIA process, these efforts confronted significant criticism,<sup>23</sup> and venue-related provisions were ultimately omitted from the AIA.

Whether or not a consensus ever emerges on changes to the patent venue statute that addresses the concerns that spawned the array of legislative proposals during the AIA process,<sup>24</sup> such a lack of consensus should have no relevance to the issue of whether venue transfer could play a useful “gating” role for the initiation of full-bore discovery.

The nature of a motion to transfer venue is such that, if one is made at all, it typically comes near the commencement of the lawsuit.<sup>25</sup> Thus, tying a discovery stay to the final resolution of a venue transfer motion avoids many of the potentially problematic aspects of tying a discovery stay to the completion of the Markman process.

---

<sup>22</sup> Among the most notable of these efforts was § 8 of S.3600 (110<sup>th</sup> Congress, Sept. 25, 2008), the so-called “Kyl bill,” which would have amended 28 U.S.C. § 1400(b) to provide the following:

“(b) Notwithstanding subsections (b) and (c) of section 1391 of this title, any civil action for patent infringement or any action for declaratory judgment arising under any Act of Congress relating to patents may be brought only in a judicial district—

“(1) where the defendant has its principal place of business or is incorporated;

“(2) where the defendant has committed acts of infringement and has a regular and established physical facility;

“(3) where the defendant has agreed or consented to be sued;

“(4) where the invention claimed in a patent in suit was conceived or actually reduced to practice;

“(5) where significant research and development of an invention claimed in a patent in suit occurred at a regular and established physical facility;

“(6) where a party has a regular and established physical facility that such party controls and operates and has—

“(A) engaged in management of significant research and development of an invention claimed in a patent in suit;

“(B) manufactured a product that embodies an invention claimed in a patent in suit; or

“(C) implemented a manufacturing process that embodies an invention claimed in a patent in suit;

“(7) where a nonprofit organization whose function is the management of inventions on behalf of an institution of higher education (as that term is defined under section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a))), including the patent in suit, has its principal place of business; or

“(8) for foreign defendants that do not meet the requirements of paragraphs (1) or (2), according to section 1391(d) of this title.”

<sup>23</sup> See William C. Rooklidge & Renée L. Stasio, *Venue in Patent Litigation: The Unintended Consequences of Reform*, 20 *Intell. Prop. & Tech. L.J.* 1, 1 n. 3 (2008) and Sidney A. Rosenzweig, *Patent Venue Reform: Congress Takes Two Steps Back*, 16 *Progress & Freedom Found.* 1, 7 (2009). These papers are discussed by Tsai-fang Chen, *Venue Reform in Patent Litigation: To Transfer Or Not To Transfer*, 10 *Wake Forest Intell. Prop. L. J.* 153 (2010), available at <http://ipjournal.law.wfu.edu/files/2010/10/article.10.153.pdf>.

<sup>24</sup> The last, best effort at forging such a consensus was the work product contained in § 8 of the Kyl bill. Among the organizations whose representatives provided input to the proposal offered by Sen. Jon Kyl (R-AZ), were the Biotechnology Industry Organization, PhRMA, Intellectual Property Owners Association, and the Wisconsin Alumni Research Foundation. It is unclear that any of those organizations themselves ever took a position on or offered public support for these provisions.

<sup>25</sup> See FRCP 12(b)(3), providing for a motion for improper venue may be asserted as one of seven enumerated Rule 12(b) defenses to a complaint that can be made by motion, but further providing, “A motion asserting any of these defenses must be made before pleading if a responsive pleading is allowed.”

Trial court judges currently have the authority to stay discovery pending resolution of motion to transfer. Such discovery-stay motions can be granted or denied at the discretion of the trial court.<sup>26</sup> Denying discretion to a trial court judge in the management of the court’s docket, including the management of these types of discovery issues, always raises concerns.

However, whatever the merits of such concerns in the abstract, a mandatory discovery stay pending the resolution of a venue transfer motion can be particularly important in situations where the discovery burdens that might be imposed on a defendant can render its continued patent defense problematic. Since venue moves are done for good reason—often convenience and availability of evidence factors—they play into easing the burdens that might otherwise impair the ability to defend.

In summary, as the Committee wrestles with how best to address the issue of “gating” the initiation of full-bore discovery, venue transfer motions may be worthy of some consideration.

### ***H.R. 9 Should Mandate Early Disclosure of Litigants’ Contentions***

Under § 3(a) of H.R. 9, pleading specificity requirements would be heightened for patent owners. The new requirements, to be codified in 35 U.S.C. § 281A, would extend significantly the relatively minimal standards for pleading set out in the Federal Rules of Civil Procedure, including the soon-to-be-defunct FRCP Form 18.<sup>27</sup>

The Supreme Court has recently addressed the desirability of heightened pleading requirements in the context of complaints for relief.<sup>28</sup> The Court’s decisions, however, have had a far lesser impact on pleadings than what is proposed in § 3(a).

As with most litigation reform efforts, the key to achieving successful reforms in elevating pleading standards is to assure that the remedial measures imposing the extra burdens lead to collateral benefits that greatly outweigh such burdens, while at the same time not stoking the fires of litigation with yet more disputed issues that require added time and added expense to resolve.

The merits of greater pleading specificity are beyond dispute. Patent litigation, like all civil litigation, should not be a “hide and seek” game to be played over the facts

---

<sup>26</sup> See *Lee Esperson, et al. v. Trugreen Limited Partnership* (W.D. Tenn.), Order Denying Defendants’ Motion To Stay Proceedings in Case 2:10-cv-02130-STA-cgc Document 45 Filed 06/29/10 at [http://www.gpo.gov/fdsys/pkg/USCOURTS-tnwd-2\\_10-cv-02130/pdf/USCOURTS-tnwd-2\\_10-cv-02130-0.pdf](http://www.gpo.gov/fdsys/pkg/USCOURTS-tnwd-2_10-cv-02130/pdf/USCOURTS-tnwd-2_10-cv-02130-0.pdf); *Renuen Corporation et al v. Lameira et al.* (M.D Fl.) Order (Doc. 99), Case No. 6:14-cv-1754-Orl-41TBS at <https://cases.justia.com/federal/district-courts/florida/flmdce/6:2014cv01754/303657/99/0.pdf>.

<sup>27</sup> See *Proposed Amendments to the Federal Rules of Civil Procedure* (June 14, 2014), available at <http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Reports/ST09-2014-add.pdf>, at p. 19, Abrogation of Rule 84

<sup>28</sup> FRCP Rule 8(a) requiring a complaint to contain, *inter alia*, “a short and plain statement of the claim showing that the pleader is entitled to relief.” See also, *Bell Atlantic Corp. v. Twombly*, 127 S. Ct. 1955 (2007) and *Ashcroft v. Iqbal*, 129 S. Ct. 1937 (2007).

and circumstances forming the predicate for the relief being sought or over the defenses that will be played out before the court when a matter eventually comes to trial. In this sense, the Committee’s efforts are focused on finding that “sweet spot” of reform between the added burdens producing disproportionate downstream benefits and those that simply engender their own burdensome (and often unintended) consequences.

As the Committee moves to markup § 3(a) of H.R. 9, it may wish to consider three points:

First, should corresponding provisions be devised and added to the bill that would mirror the content of the accused infringer’s complaint and its specificity with respect to the defenses to infringement? Should the accused infringer provide specificity for invalidity defenses and the manner in which the accused infringer may otherwise contest the infringement of the patent? Fostering such a balanced approach to this issue has the benefit of inherently titrating what elevated content would be productive reform and what elevated content would be unduly burdensome. Indeed, what patent-owning interests might assert would be optimal pleading requirements for accused infringers may be impacted by their knowledge that any overblown assertions may yield an equal and opposite request for specificity from the interests representing accused patent infringers seeking greater pleading specificity from patent owners.

Second, are there requirements in the existing bill that impose potentially redundant obligations on the patent owner that may be unnecessary to gain a full understanding of the complaint? For example, §281A’s specific pleading requirements exist for each asserted claim in any asserted patent. In most patent litigation, however, trial typically proceeds through consideration of one or more representative claims upon which the lawsuit will ultimately be resolved. It may be that the objectives of § 3(a) of H.R. 9 can be more effectively pursued if the § 281A(a)(3) requirement is changed from “For each claim... .” to “For one or more representative claims... .”

Third, pleadings are not the only vehicle in which—at an early stage of a lawsuit—each party places the other on notice of the nature of the cause of action and the nature of the defenses and counterclaims being raised. For example, the Federal Rules of Civil Procedure provide for scheduling and case-management procedures<sup>29</sup> and for mandatory initial disclosures<sup>30</sup> that apply in equal measure to both claims and defenses. More importantly, in a number of district courts, local patent rules apply that create extensive initial disclosure obligations, most specifically obligations on the patent owner.<sup>31</sup>

---

<sup>29</sup> FRCP Rule 16.

<sup>30</sup> FRCP Rule 26.

<sup>31</sup> See *Patent Local Rules*, U.S. District Court for the Northern District of California (Nov. 1, 2014), available at [http://www.cand.uscourts.gov/filelibrary/1533/Local\\_Rules-Patent-Eff\\_11.1.14.pdf](http://www.cand.uscourts.gov/filelibrary/1533/Local_Rules-Patent-Eff_11.1.14.pdf), § 3-1:

“Not later than 14 days after the Initial Case Management Conference, a party claiming patent infringement shall serve on all parties a ‘Disclosure of Asserted Claims and Infringement Contentions.’ Separately for each opposing party, the ‘Disclosure of Asserted Claims and Infringement Contentions’ shall contain the following information:

As mandatory initial disclosure practices under local rules continue to develop in district courts across the country, the Committee has the opportunity to use the provisions in § 3(a) of H.R. 9 to encourage the development of a uniform, nationwide set of minimum standards for mandatory initial disclosures under local patent rules. The Committee could identify one or more existing sets of disclosure requirements under local rules as establishing the most appropriate benchmark to be applied to patent litigation nationwide and then incorporate such initial disclosures as pleading requirements under proposed § 281A, *but to be imposed as pleading requirements only in district courts where local patent rules imposed lesser initial disclosure requirements.*

The possible merit of the latter suggestion is that it would transform the § 3(a) provisions of H.R. 9 from its current “stick” character into more of a “carrot.” If given the choice between having more elaborate pleading requirements apply or adopting local patent rules with mandatory initial disclosures that would contain the required specifics, this “carrot” approach should move more district courts to act more expeditiously to adopt better case management practices and simultaneously move more patent owners to bring more infringement lawsuits in districts that have adopted such practices.

### ***H.R. 9 Should Mandate the “Customer Stays” When Vendors Step Forward to Defend***

H.R. 9 contains widely lauded “customer stay” provisions. These provisions apply where the customer’s supplier has stepped forward and agreed to defend the patent

---

“(a) Each claim of each patent in suit that is allegedly infringed by each opposing party, including for each claim the applicable statutory subsections of 35 U.S.C. §271 asserted;

“(b) Separately for each asserted claim, each accused apparatus, product, device, process, method, act, or other instrumentality (“Accused Instrumentality”) of each opposing party of which the party is aware. This identification shall be as specific as possible. Each product, device, and apparatus shall be identified by name or model number, if known. Each method or process shall be identified by name, if known, or by any product, device, or apparatus which, when used, allegedly results in the practice of the claimed method or process;

“(c) A chart identifying specifically where each limitation of each asserted claim is found within each Accused Instrumentality, including for each limitation that such party contends is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in the Accused Instrumentality that performs the claimed function.

“(d) For each claim which is alleged to have been indirectly infringed, an identification of any direct infringement and a description of the acts of the alleged indirect infringer that contribute to or are inducing that direct infringement. Insofar as alleged direct infringement is based on joint acts of multiple parties, the role of each such party in the direct infringement must be described.

“(e) Whether each limitation of each asserted claim is alleged to be literally present or present under the doctrine of equivalents in the Accused Instrumentality;

“(f) For any patent that claims priority to an earlier application, the priority date to which each asserted claim allegedly is entitled; and

“(g) If a party claiming patent infringement wishes to preserve the right to rely, for any purpose, on the assertion that its own apparatus, product, device, process, method, act, or other instrumentality practices the claimed invention, the party shall identify, separately for each asserted claim, each such apparatus, product, device, process, method, act, or other instrumentality that incorporates or reflects that particular claim.

“(h) If a party claiming patent infringement alleges willful infringement, the basis for such allegation.”

infringement action. The provisions are contained in § 6 of H.R. 9 and appear to be very similar to provisions in S. 1720 (113<sup>th</sup> Congress), § 4. The House bill would add a new 35 U.S.C. § 296, while the Senate provisions would add a new 35 U.S.C. § 299A.

A key aspect of both H.R. 9 and S.1720 is that the manufacturer has stepped forward and agreed in writing to the stay of the litigation against the customer. This provision should assure that patent owners will not suffer stays of suits that in fairness should proceed. Moreover, these provisions would do no more than protect persons at the end of a distribution chain, *i.e.*, not persons who contribute to the manufacture of or otherwise materially alter the product accused of infringement.

As the provisions of § 6 of H.R. 9 move toward markup, the provisions of S. 1720 contain what appear to be some modest refinements compared to the text of H.R. 9.<sup>32</sup> Given the common intent of the two respective provisions of the two bills, it may be that the Committee will decide to use the provisions of S. 1720 as the template for making further revisions to address what appear to be relatively minor and manageable concerns over the this provisions that have been expressed.<sup>33</sup>

### ***H.R. 9 Should Contain Requirements for Greater Patent Ownership Transparency***

Under § 4 of H.R. 9, a set of patent ownership transparency provisions are mandated for patents that are under litigation. The requirements are initially imposed on plaintiffs filing complaints, who then have ongoing requirements with respect to the patents in suit to maintain current ownership information through submissions to the United States Patent and Trademark Office. The requirement to update appears to continue throughout the life of the patent, even after the termination of any associated litigation involving the patent.

Enhancing ownership transparency requirements at the outset of patent litigation has broad support within the patent community. Any concerns that have been raised with respect to § 4 do not go to the core intent of the provisions, but to the level of detail required for compliance with these provisions and the potential for confidential business relationships to be required to be disclosed publicly—as opposed to disclosure to the accused infringers under seal.

---

<sup>32</sup> Compare 35 U.S.C. § 299A(b)(3) in S. 1720 (“[T]he covered customer agrees to be bound *under the principles of collateral estoppel* by any issues finally decided as to the covered manufacturer in an action described in paragraph (2) that the covered customer has in common with the covered manufacturer... .”) with 35 U.S.C. § 296(a)(3) from H.R. 9 (“The covered customer agrees to be bound by any issues that the covered customer has in common with the covered manufacturer and are finally decided as to the covered manufacturer in an action described in paragraph (2)”).

<sup>33</sup> This provision appears to be broadly supported, with few expressed reservations, *e.g.*, “*RESOLVED*, that [Intellectual Property Owners Association] supports legislation to codify and enhance court developed doctrines that provide for staying a patent case against one or more customers of a product while a patent case on the same patent proceeds against the manufacturer of that product. Such legislation should be carefully tailored to avoid unintended adverse consequences to innovators, manufacturers and customers.” <https://www.ipo.org/index.php/advocacy/board-resolutions/2013-board-resolutions/>.

Minor changes to these provisions are desirable to assure that the legitimate concerns that have been raised are addressed in ways that do not detract from the effectiveness of these proposals. Such changes that the Committee might consider would include the identification of the information appropriate for public disclosure via submission to the United States Patent and Trademark Office versus the information required to be disclosed under seal (*i.e.*, based on the confidential business relationships that merit protection from public disclosure), the termination of the obligation to update once the underlying litigation triggering the disclosure obligation has ended, and the nature of the ownership/licensing rights that are encompassed under the disclosure obligations.

### ***H.R. 9 Should Deter Willfulness Findings in Cases of Defective Pre-Suit Notifications***

Under § 3(e) of H.R. 9, a “sense of Congress” statement is made with respect to “purposely evasive demand letters” that provide no substantive notice of the alleged acts of infringement of the patent and otherwise constitute defective efforts at providing pre-suit notification of possible acts of infringement. The sense of Congress is then followed under § 3(f) of H.R. 9 with a provision barring reliance on such defective pre-suit notifications of infringement, *i.e.*, lacking in particulars sufficient to afford reasonable notice of the actual infringing conduct, as evidence that the acts of infringement on the part of the recipient of the defective notice were willful. This new standard is to be codified in 35 U.S.C. § 284(c).

This provision is designed to make the award of enhanced damages more difficult in situations where “purposefully evasive demand letters” or other defective pre-suit notification efforts have been undertaken by the patent owner. As such, in the case of a valid patent, this provision does nothing to limit the ability of the patent owner to receive full and complete compensation under the patent for any and all acts of infringement. Thus, nothing in this provision in any way prevents the patent owner from being made whole for the acts of infringement.

Moreover, this provision leaves unaffected the ability of the patent owner—even if the patent owner has sent out a “purposely evasive demand letter” prior to the commencement of the litigation—to be awarded its attorney fees based upon the standard set out in § 3(b) of H.R. 9, *i.e.*, the accused infringer’s defenses to infringement were not “reasonably justified in law and fact.”

In brief, this provision simply reduces the likelihood that a patent owner may be able to a secure super-compensatory recovery where the standard set out in new § 284(c) has not been met. As such, it acts more as incentive to making more adequate pre-suit notification communications to accused infringers than it does as a penalty for making deficient notifications—and, thus, represents a reasonable limitation on willfulness determinations.

As such, this provision constitutes an appropriate constraint to be imposed on persons seeking extraordinary compensation based on alleged willfulness.

## ***H.R. 9 Should Expand the Unduly Limited Prior User Right Provisions of the AIA***

Under § 3(b)(2)(B) of H.R. 9, subsections (f) and (g) of 35 U.S.C. § 273 would be repealed.<sup>34</sup> Section 273 of title 35 contains the so-called “prior user rights” provisions under which an accused infringer who has undertaken a commercial use of the patented invention that is not publicly accessible—and, therefore, not “prior art” that can be used to invalidate the patent—before the filing date of the patent is entitled to continue such commercial use without liability for patent infringement.

The repeal of 35 U.S.C. § 273(g) can be viewed as representing a conforming amendment to the amendments to 35 U.S.C. § 102 under the AIA. Prior to the enactment of the AIA, it is doubtful that § 273(g) served its intended purpose, which was to afford the patent owner incremental protection against invalidity for lack of novelty/non-obviousness if prior use was established based upon the non-public activities of the accused infringer. Since such a non-public use would, by definition, have been undertaken by the accused infringer, not the patent owner, no § 102 invalidity implications should have existed under the pre-AIA patent law.<sup>35</sup>

Under the AIA, however, the scope and content of § 102(a)(1) prior art is categorically limited to subject matter available to the public.<sup>36</sup> If the alleged prior use in question was available to the public, there would be no reason for an accused infringer to resort to a § 273 defense. If a prior use were established, but it is determined that the use was not available to the public, there would be no possible implication with respect to the patent validity. Either way, with the enactment of the AIA, § 273(g) no longer operates to provide any incremental protection to the patent owner and its repeal is warranted.

As for § 273(f), its repeal can likewise be viewed as a conforming amendment given the amendment being made to § 285. Because § 273(f) deals with the issue of attorney fee awards, its repeal avoids the possibility of having two, potentially conflicting provisions with respect to the award of attorney fees. Without some amendment of § 273(f), it would continue the “exceptional case” standard that will no longer be part of § 285. Repeal of § 273(f) is preferable to amendment since the new § 285 standard

---

<sup>34</sup> The repealed provisions are subsections (f) and (g) remove provisions designed to protect patent owners in situations where the prior user defense is raised:

“(f) UNREASONABLE ASSERTION OF DEFENSE.—If the defense under this section is pleaded by a person who is found to infringe the patent and who subsequently fails to demonstrate a reasonable basis for asserting the defense, the court shall find the case exceptional for the purpose of awarding attorney fees under section 35 U.S.C. 285 .

“(g) INVALIDITY.—A patent shall not be deemed to be invalid under section 102 or 103 solely because a defense is raised or established under this section.”

<sup>35</sup> *WL Gore & Associates, Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1549-1550 (Fed. Cir. 1983), “The district court held all claims ... invalid under 102(b), ... because ‘the invention’ was ‘in public use [and] on sale’ by [a third party] more than one year before [the inventor’s] application for patent. ... [I]t was error to hold that [the third party’s] activity ... was a ‘public’ use of the processes claimed in the ... patent, that activity having been secret, not public.”

<sup>36</sup> “[T]he phrase ‘available to the public’ is added to clarify the broad scope of relevant prior art, as well as to emphasize the fact that it must be publicly accessible.” House Report on H.R. 1249, No. 112-98, 111<sup>th</sup> Cong. (June 1, 2011), p. 43.

should suffice in many circumstance to better assure that a failed prior user defense will result in an award of attorney fees to a prevailing patent owner.

Given that H.R. 9 will address prior user rights issues under § 273, it may be an opportune time for the Committee to take a more holistic look at needed reforms to the prior user right statute and again test whether a consensus can be forged on reforms. In testimony before this Committee on February 1, 2012 and October 26, 1995, I had the opportunity to lay out for the Committee the types of changes to the U.S. patent law that are essential to make our system of prior user rights an effective statute.<sup>37</sup>

Prior user rights should apply to each claimed invention in all issued patents, cover all established commercial uses before the effective filing date for a claimed invention in a patent, and include protection once substantial preparations for the commercial use has been completed. I would urge the Committee to consider whether now is the time to work towards a consensus to expand the manner in which H.R. 9 addresses the issue of the prior user defense.

#### ***H.R. 9 Should Encourage the Judicial Conference Study of Patent Litigation Practices***

Under § 6 of H.R. 9, a series of mandates are provided to the Judicial Conference to develop rules and procedures that would allow patent infringement litigation to operate with enhanced fairness and efficiency—and further provides for the adoption by the district courts once the work of the Judicial Conference is complete. In addition, § 6 would require the elimination of Form 18 in the Appendix to the Federal Rules of Civil Procedure by the Supreme Court in a provision that is likely mooted by the pending adoption by the Court of revised Federal Rules of Civil Procedure.

These provisions in § 6 provide important recommendations to the Judicial Conference on issues of central importance to effective management of patent litigation matters and should enlist the expertise of the Judicial Conference to develop the specific practices that the courts can then implement. As such, these provisions should remain as an element of the overall package of measures within the bill, with the possible exception of the removal of § 6(c) in light of the amendments to the Federal Rules of Civil Procedure pending approval by the U.S. Supreme Court.

#### ***H.R. 9 Should Protect U.S.-Based IP Licenses from Foreign Bankruptcy Proceedings***

Under § 6(d) of H.R. 9, certain provisions of the Bankruptcy Code (11 U.S.C. § 1522) would be clarified to provide that in bankruptcy proceedings involving foreign bankruptcy administrators, the courts in the United States would protect certain of the debtor's IP licenses to prevent unilateral rejection. The provision, thus, protects the existing licensees. They will not face the loss of their previously negotiated license rights if the foreign intellectual property owner files for bankruptcy under the laws of that foreign country.

---

<sup>37</sup> Testimony from both hearings is available at <http://judiciary.house.gov/files/hearings/Hearings%202012/Armitage%2002012012.pdf>.

This is an important protection for U.S.-based interests that should be included in H.R. 9, particularly in light of the protection that would be afforded to U.S.-based trademark franchisees.

### ***H.R. 9's Provisions on Small Business/Studies Should be Maintained in the Bill***

Under § 7 and § 8 of H.R. 9, the bill provides a set of provisions impacting small business (educational resources and website support to be provided by the United States Patent and Trademark Office) as well as studies.<sup>38</sup> These provisions have attracted little public interest and little public comment.

Given their apparent noncontroversial nature, there appears to be no reason that the Committee should not maintain these provisions in the bill. That said, the Committee may wish to reaffirm with the proponents for each study that the policy interests to be served remain timely and important enough to devote the time and resources needed to produce meaningful results. Given the dynamic nature of some of these topics for study, intervening events may have changed the optimal focus for—or even the need for—one or more of such studies.

### ***H.R. 9 Should Make Important Improvements to the Leahy-Smith America Invents Act***

Under § 9 of H.R. 9, the bill concludes with a set of important improvements and technical amendments to AIA.

#### **Fix the Legislative Error in the Post-Grant Review Estoppel Provision**

Under § 9(a) of H.R. 9, the bill corrects a legislative error in the Post-Grant Review provisions of the AIA in which the judicial estoppel that is to apply to a PGR petitioner extends to any issue that reasonably could have been raised in the proceeding. Fixing this error, which if left unfixed can be expected to unduly limit the circumstances under many potential petitioners would be willing to make use of this proceeding, represents one of the most important pieces of unfinished business in the AIA.

Since the new PGR procedure is available to adjudicate any issue of the validity of a newly issued patent that could be raised by an accused infringer as a defense to the patent's validity in district court, extending the PGR estoppel to issues that *could have been reasonably raised* is to effectively extend the estoppel to every possible patent invalidity issue. Because only the AIA first-inventor-to-file patents are subject to post-grant review, the invalidity issues for these patents are all based upon information that is available to the public, making it particularly difficult to allege that any such invalidity issues could not have reasonably been raised.

---

<sup>38</sup> The studies are described in § 8(a), secondary patent market oversight (to promote transparency and ethical business practices), § 8(b), government-owned patents, § 8(c), patent quality and best information during examination, § 8(d), small claims court, § 8(e), demand letters, § 8(f), business method patent quality, and § 8(g), legislation impact on small business protection.

Over time, the new PGR procedure holds the potential for being the most important vehicle for public input into the patenting process, with the potential to allow members of the public to seek cancelation of any claim in any newly issued patent on any ground of patent invalidity—and secure a final determination from the United States Patent and Trademark Office on such invalidity issues within one year from the institution of the PGR proceeding. The scope of the new PGR procedure is entirely unprecedented. Given the patent quality implications of its successful implementation and full utilization, it is critical that this unfortunate legislative error in the enactment of the AIA be corrected.

### **Fix the IPR/PGR “Claim Construction” Standard**

The intent of both the Inter Partes Review and Post-Grant Review proceedings in the United States Patent and Trademark Office was to afford members of the public the opportunity for a relatively inexpensive, relatively prompt *adjudication* of the *validity* of issued U.S. patents. In the implementation of the IPR/PGR proceedings, the United States Patent and Trademark Office used claim construction mechanism that were designed for *examination* rather than *adjudication*.

In *examination*, the claims of patent applications are afforded their *broadest reasonable interpretation*. This standard can serve an important policy purpose in the context where the patent applicant has liberal opportunities to iteratively refine the claims under examination to assure that they are fully differentiated from the prior art. There is no analog to the iterative refinement process in either IPR or PGR.

While some small justification for this implementation choice by the United States Patent and Trademark Office can be found in the limited possibility for the patent owner to amend claims in the IPR/PGR procedures, the AIA claim amendment provisions for IPR and PGR procedures were not designed to be an iterative process. Instead, they were designed to be a one-time opportunity to substitute claims. Both the statute and the United States Patent and Trademark Office implementation of the statute impose limitations on the number of new claims that can be offered.

Indeed, in only a small number of IPRs instituted thus far has the United States Patent and Trademark Office permitted a patent claim to be amended.<sup>39</sup> The result, in the overwhelming number of IPRs, is that the United States Patent and Trademark Office is determining whether the issued patent claim is valid by construing the claim *more broadly than the patent owner would ever be entitled to assert the same patent claim was being infringed*.

Because the patent system could not operate fairly—or otherwise sensibly—if patent claims were given their broadest reasonable interpretation when the claims were

---

<sup>39</sup> “[I]n practice, motions to amend claims have been denied at an extremely high rate. Of 91 motions to amend, only 28 have been granted and four granted-in-part.” See <http://www.law360.com/articles/581512/trends-from-2-years-of-aia-post-grant-proceedings>.

being enforced against infringers, it is likewise unfair to use such a broader-than-life standard to decide if the patent claim is valid. Doing so unfairly creates a much larger target for invalidating the claims as lacking novelty or non-obviousness.

Among the improvements and technical amendments to be included in H.R. 9, I would urge the Committee to move this provision to the top of the priority list. I regard this provision as essential to the bill—and, indeed, essential to the viability of both the PGR and IPR procedures to get this aspect of the United States Patent and Trademark Office implementation of the AIA fixed.

### **Codify a Comprehensive “Double Patenting” Doctrine**

While it is a provision that has been known to make even the most ardent patent professionals yawn, § 9(c) of H.R. 9 takes up an important issue of patent law: the rules that bar separate enforcement of patents with highly similar claims. The “double patenting” provisions of H.R. 9 would accomplish this objective by expanding the “prior art” provisions for the AIA first-inventor-to-file patents so that two patents with highly similar claims could not validly issue absent disclaiming the ability to separately enforce the two patents.

A core principle of U.S. patent law provides that the each valid claim of each U.S. patent must be distinct (differ in non-obviousness ways) from each valid claim of every other U.S. patent—or, where respective claims of two U.S. patents are patentably indistinct from one another, the two patents can be enforced only to the same extent as though all of the claims of both patents had been issued in a single patent.<sup>40</sup> The “double patenting” doctrine effects this principle.

In addition, given the ability under the patent law prior to the URAA<sup>41</sup> to serially issue patents with separate 17-year patent terms, “double patenting” law historically required the disclaimer of the term of the later-issued of the two patents beyond the 17-year term of protection measured from the issue date of the first-issuing patent. This was done to prevent to prevent an “unjustified timewise extension of the right to exclude.”<sup>42</sup>

The law of double patenting, although over 100 years old,<sup>43</sup> has always been a judge-made law. The longstanding lack of a codified law of “double patenting” is unsurprising, at least in part, because the doctrine relates to the obviousness of the differences between the respective claims of the two patents and it took over 100 years for the law on obviousness<sup>44</sup> itself to be codified—as it finally was under the 1952 Patent Act.<sup>45</sup>

---

<sup>40</sup> Under current United States Patent and Trademark Office regulations, this is done by requiring common ownership of the patents to be maintained or otherwise barring separate enforcement of the two patents. 37 C.F.R. § 1.321.

<sup>41</sup> Uruguay Round Agreements Act, Pub. L. No. 103–465, § 101, 108 Stat. 4809 (1994).

<sup>42</sup> *Application of Schneller*, 397 F. 2d 350, 354 (C.C.P.A. 1968).

<sup>43</sup> *Miller v. Eagle Manufacturing*, 151 U.S. 186 (1894).

<sup>44</sup> *Hotchkiss v. Greenwood*, 52 U.S. 248 (1850).

<sup>45</sup> 35 U.S.C. § 103.

Part of the reason that “double patenting” principles did not join in the 1952 codification effort lay in the complexity of any “double patenting” codification effort under the pre-AIA first-to-invent principles used to determine “prior art” and, thus “obviousness” of one claimed invention vis-à-vis another. In addition, before a series of changes were made to the patent statute starting in 1984, the fact situations where double-patenting principles applied were relatively few.<sup>46</sup>

Finally, except in recent decades, the judge-made law was so closely aligned with the policy considerations that underpin the doctrine that a codification effort was difficult to justify. Recent Federal Circuit decisions, however, have created a substantial gulf between the policy justification for invalidating patents on double patenting grounds and the application of the law, as well as upset long-settled expectations of which of the two patents is the “double patent” and which is not.<sup>47</sup>

Of most significance is that the AIA—like the Patent Law Amendments Act of 1984<sup>48</sup> and the CREATE Act<sup>49</sup> before it—has again greatly expanded the situations in which double patenting issues can arise. The AIA not only fully preserved the so-called “anti-self-collision provisions” under which an inventor’s own patent filings do not become “prior art” to the inventor, but profoundly eased the rules under which patents that are commonly owned or subject to joint research agreements cannot be cited as prior art, one against the other.

All these factors have now come together to make a modernization and codification of “double patenting” law of significant importance. In addition, most fortuitously, the AIA greatly facilitated crafting a codification of double patent law given the dramatic simplification of the prior art provisions of the statute under the first-inventor-to-file principle.

Under the provisions of H.R. 9, where a statutory “prior art” relationship between two patents would otherwise not be present, the “double patenting” provision amends the AIA prior art statute to provide that such a prior art relationship will be created as between the claims of every two patents where it would not otherwise exist. Once the new prior art relationship is created, this new “double patenting prior art” can only be

---

<sup>46</sup> See *Section-By-Section Analysis of H.R. 6286, Patent Law Amendments Act of 1984*, Congressional Record, Oct. 1, 1984, H10525-10529, in which the House Report on the Patent Law Amendments Act of 1984 effectively directs the Patent Office to withdraw its 1967 notice (*i.e.*, Commissioners Notice of January 9, 1967, Double Patenting, 834 O.G. 1615 (Jan. 31, 1967)), limiting double patenting to the situation where both patents named the same inventor.

<sup>47</sup> *In re Hubbell*, 709 F. 3d 1140 (Fed. Cir. 2013), finding “double patenting” in situations where the respective claims of the two patents, if valid, were necessary patentably distinct, and *Gilead Sciences, Inc. v. Natco Pharma Ltd.*, 753 F. 3d 1208 (2014), finding that a first-issued patent was invalid in the face of 100+ years of precedent holding that the later-issued not the first-issued of two patents represented the “double patent.” .

<sup>48</sup> Patent Law Amendments Act of 1984, Pub. L. No. 98–622, 98 Stat. 3383.

<sup>49</sup> Cooperative Research and Technology (CREATE) Act of 2004, Pub. L. No. 108-453, 118 Stat. 3596.

thereafter removed if the patent owner agrees to forego separate enforcement of the two patents.

By turning the “prior art” switch to the “on” position as between the claimed invention in two patents where otherwise the AIA leaves the “prior art” switch in the “off” position, it assures that valid claims cannot be present in the two patents unless patentable distinctness exists as between the respective patent claims or the patent owner of the “double patent” has elected to limit separate enforcement of the two patents.

While the provisions currently in H.R. 9 fully effect this policy objective, I would urge the Committee to consider a simpler and more comprehensive statutory text that has been developed for accomplishing this identical result,<sup>50</sup> as well as a separate statutory amendment limiting any “patent term adjustment” for a patent subject to double patenting constraints so that the adjusted term of the double patent could not extend the combined patent life of both patents beyond 17 years.<sup>51</sup>

Since all AIA patents are subject to the 20-year patent term from the original nonprovisional patent date<sup>52</sup> (or up to 21 years from the earliest provisional or patent filing date or foreign priority date)<sup>53</sup> and—most importantly—a valid AIA patent must meet the novelty and non-obviousness requirements over all prior art as of the start date for the 20- or 21-year protection period, the AIA patents no longer create the same potential for the type of “unjustified timewise extension of exclusionary rights” that existed for patents subject to the former 17-year patent term that commenced on the issue

---

<sup>50</sup> Instead of adding a new 35 U.S.C. § 106, the substitute approach would simply add another subsection at the end of the existing prior art section of title 35, § 102, as follows:

“(e) DOUBLE-PATENTING PRIOR ART.—If a first claimed invention in a first patent was effectively filed on or before the effective filing date of a second claimed invention in a second patent or the application on which it issues, and the first claimed invention is not otherwise prior art to the second claimed invention under this section, then the first claimed invention shall, notwithstanding the other subsections of this section, constitute prior art to the second claimed invention under this paragraph unless—

“(1) the second claimed invention has consonance with a requirement for restriction under the first sentence of section 121 with respect to the claims issued in the first patent; or

“(2) an election has been recorded in the Office by the owner of the second patent or the application on which it issues disclaiming the right to bring or maintain an action under section 281 to enforce the second patent unless—

“(A) the relief being sought in the enforcement action would not constitute a cause of action barred by res judicata had the asserted claims of the second patent been issued in the first patent; and

“(B) the owner of the first patent or the application on which it issues has recorded an election limiting the enforcement of the first patent relative to the second patent in the manner described in this paragraph (2), the owner of the first patent is a party to the enforcement action, or a separate action under section 281 to enforce the first patent can no longer be brought or maintained.”

<sup>51</sup> This change would require amending 35 U.S.C. § 154(b)(2) to insert at the end:

“(D) PATENTS SUBJECT TO ELECTION.—If a patent is subject to an election as described in section 102(e)(2) with respect to one or more other patents, the adjusted term of the patent under this subsection may not exceed a period of 17 years from the date of issuance of any of such other patents and the portion of any adjustment of the term of the patent under this subsection extending beyond the expiration of such period of 17 years shall be void.”

<sup>52</sup> 35 U.S.C. § 154(a)(2).

<sup>53</sup> 35 U.S.C. § 154(a)(3).

date of the patent, *i.e.*, for such pre-URAA patents, nothing in the patent statute itself prevented successive patents from being issued with highly similar claims for successive 17-year terms even though the invention had long before become public. This new reality is taken into account in these substitute provisions.<sup>54</sup> Taken together, they would optimally address all policy consideration that arise in double patenting situations.

### **Correct Technical Mistakes in the Enactment of the America Invents Act**

Several subsections in § 9 of H.R. 9 address technical mistakes in the enactment of the AIA and the Patent Law Treaty Implementation Act that merit correction:

- (a) Section 9(d): Under § 18(a)(1)(C)(i) of the AIA, a reference to pre-AIA 35 U.S.C. § 102(e) was unintentionally omitted. The provision in question should have related to all forms of published prior art. Thus, the reference to § 102(a) should have been accompanied by a reference to § 102(e) as well. The amendment avoids an unintended restriction on prior art available for the transitional program for covered business method patents.<sup>55</sup>
- (b) Sections 9(h)(1)(A), 9(h)(3), and 9(h)(4): Through an apparent legislative error, the indefinite article “a” is absent from the 35 U.S.C. § 102(b)(1)(A). The corrected phrase reference “the inventor or *a* joint inventor,” in order to reflect that the inventor can be a group of individuals and the term “joint inventor” is intended as a reference to any one of such individuals.
- (c) Section 9(h)(5): This paragraph provides a new effective date provision for the amendments in the AIA to 35 U.S.C. § 112 that designated as subsections (a) through (f) the six undesignated paragraphs of the section. The new provision assures that the designations apply universally and are not unnecessarily limited to first-inventor-to-file patents under the AIA.

---

<sup>54</sup> Except for assuring patent term adjustment is limited to prevent adjustments resulting in more than a 17-year protection period, there is no policy justification for continuing the type of “terminal disclaimer” practice for AIA patents that was critically important to limit in a timewise sense the protection available under patents with 17-years terms. The substitute provisions, thus, focus double patenting consequences on barring separate enforcement of the first-inventor-to-file patents with the indistinct claims and addresses the issue of timewise extension of rights with a limitation on patent term adjustment that could otherwise result in adding exclusionary rights that would extend beyond the 17-year period.

<sup>55</sup> Under § 9(d)(2) of H.R. 9, the United States Patent and Trademark Office is given authority to waive fees in the transitional program for covered business method patents. This transitional program is set to end on September 15, 2020, *i.e.*, after this date no new petitions will be accepted under this program. In the two and one-half years of operation of this program, there has been yet to emerge any demonstrated need for waiver of fees in connection with this program. The program itself is limited to patents with a nexus to technology “used in the practice, administration, or management of a financial product or service,” an area of commerce where fee-for-service is not an atypical expectation. The Committee may wish to consider whether the maturity of the CBM program, the experience with its use, the relatively limited lifespan remaining for the program, and the precedent of a no-fee-for-service provision without any mandated means-testing mechanism remains in the public interest.

- (d) Section 9(h)(7): The errant references in 35 U.S.C. § 316 and § 326 to the petitions in IPR and PGR proceedings requires correction to § 311 and § 321, respectively.
- (e) Section 9(h)(8): The change made to 35 U.S.C. § 361(c) under the Patent Law Treaties Implementation Act restores the traditional requirement that the filing of International Applications (*i.e.*, applications filed with the United States Patent and Trademark Office as a “receiving office” under the Patent Cooperation Treaty) must be in the English language.<sup>56</sup>

### **Further Simplify the Oath/Declaration Provisions in the AIA**

The AIA provided a substantial simplification of the formalities imposed on inventors in connection with applications for patent by streamlining the content of the oath or declaration required by the inventor. In effect, under 35 U.S.C. § 115 as enacted under the AIA, the inventor could make a one-time statement authorizing the patent filing and verifying inventorship.

In certain circumstances, however, § 115 may errantly obligate the United States Patent and Trademark Office to require second oaths or statements by the inventor under the provisions of § 115(g). This may be the case when continuing applications that reference an original patent application filing containing the inventor’s oath or declaration.<sup>57</sup>

Under § 9(h)(2) of H.R. 9, this technical issue with the drafting of the AIA’s provisions that relate to the inventor’s oath/declaration is addressed by an amendment to § 115(a) that makes the oath/declaration requirement *permissive* on the part of the United States Patent and Trademark Office. Thus, it addresses the situation where, under § 115(g), the United States Patent and Trademark Office might be obliged to require a second oath/declaration in circumstances where doing so would be serve no patent policy end and would be inconsistent with the intent under the AIA to simplify patent application formalities for inventors.<sup>58</sup>

---

<sup>56</sup> The effect of this amendment is to eliminate the last clause in the amended § 361(c):

“(c) International applications filed in the Patent and Trademark Office shall be filed in the English language, ~~or an English translation shall be filed within such later time as may be fixed by the Director.~~”

<sup>57</sup> While an inventor is entitled under § 115(g)(1) the filing of a second oath/declaration in a later-filed continuing application that otherwise would be required under § 115(a) if “an oath or declaration meeting the requirements of subsection (a) was executed by the individual and was filed in connection with the earlier-filed application.” This provision, as enacted under the AIA, failed to account for the fact that a pre-AIA oath/declaration might not be deemed to meet the precise statutory formulation set out in § 115(b) for the required content of the oath/declaration.

<sup>58</sup> In the 113<sup>th</sup> Congress, H.R. 3309, as introduced, contained a much more elaborate provision to address the issue arising under § 115(g). This provision would have had the practical effect of undoing some of the streamlining-simplification efforts that were achieved under the AIA. Specifically, the requirement that the later patent filing “claims the benefit” of an earlier patent filing containing the executed oath/declaration in order to avoid the need for a second oath/declaration filing was to be changed to “is entitled, as to each invention claimed in the application, to the benefit” of the earlier patent filing. This more elaborate test

## Extend the “Patent Pilot Program” for a Second Decade

Under § 9(g), the “Patent Pilot Program,”<sup>59</sup> which facilitates the ability of participating federal district courts to transfer randomly assigned patent cases to designated judges within the same district, has been in operation since 2011. The program is set to “sunset” in 2021. Section 9(g) would extend the sunset for an additional 10 years—to expire in 2031. The intent of the program is to test the effectiveness of having fewer district court judges deciding more patent cases per year, which is facilitated through the reassignment to the designated subset of judges.

The actual impact of having judges deciding more patent cases per year will not be known until the program has had the opportunity to operate for a substantial period of time, hence the 10-year original duration of the pilot. The intended effects are that patent cases can be handled more rapidly, at a reduced litigation cost, and with fewer appellate reversals. The program may produce additional effects. For example, some statistical data suggests that judges deciding more patent cases each year are less likely to rule favorably for the patent owner compared to judges with less intense exposure to a patent docket.<sup>60</sup> Whether the historical data that is reflected in this statistic will apply to the patent pilot program districts is unknown.

Nothing in the operation of this program thus far would suggest that the 10-year experiment should not run to completion—or would suggest that an additional 10-year pilot period would be an inappropriate extension period if the goal were to gather longer-term data on the sustained impact of this program.

Moreover, given that the Committee will have continuing oversight of the operation and progress of this program—and has the ability to advance legislation to terminate the pilot in favor of a permanent patent program or to end the effort altogether at any time—the longer, 20-year runway appears to have significant upsides for the program, with downsides that are only speculative.<sup>61</sup>

---

would have required a cumbersome, claim-by-claim assessment of benefit in fact—taking into account the disclosure requirements imposed under 35 U.S.C. § 112 to secure benefit—to determine if a second oath/declaration were required. Under § 9(h)(2), all this complexity is avoided.

<sup>59</sup> Patent Pilot Program, Pub. L. No. 111-349, 124 Stat. 3674 (2011).

<sup>60</sup> See Lemley, Mark A. and Li, Su and Urban, Jennifer M., *Does Familiarity Breed Contempt Among Judges Deciding Patent Cases?* (May 2014). Stanford Public Law Working Paper No. 2347712; UC Berkeley Public Law Research Paper No. 2347712. Available at SSRN: <http://ssrn.com/abstract=2347712> or <http://dx.doi.org/10.2139/ssrn.2347712>, at p. 22 “Notably, the more patent cases a judge has had per year at the time he or she decides a case, the less likely the judge is to rule for the patentee. That effect is highly statistically significant (p=0.012). The effect is driven by the intensity of experience with patent cases, not simply time on the bench.”

<sup>61</sup> Comment has appeared on the “Patent Pilot Program and Its Dangers,” with specific reference to the Pilot Program’s “notion of ‘expert judges’ pos[ing] an indirect threat to the right to a jury trial since it views expertise on the side of the court as a solution for many existing or potential problems arising in the patent litigation system.” Minsuk Han, *A Two-Branched Attack on the Jury Right in Patent Litigation*, 99 *Cornell Law Review* 659-676 (2014). <http://cornelllawreview.org/files/2014/03/99CLR659.pdf>.

### **Affirm the Substantial Federal Interest in Patent-Related Adjudications**

Under § 9(f) of H.R. 9, the bill affirms the substantial federal interest in patent related adjudications by the courts, specifically those in which the legal force and effect of claims in patents are at issue. By characterizing as a substantial federal issue the prevention of inconsistent final determinations on issues such as the validity or enforceability of patent rights, the bill addresses an inconsistent determination of the United States Supreme Court in the *Minton* case.<sup>62</sup>

This provision of H.R. 9 should require that future cases raising the same facts as the *Minton* case would be decided differently. It would, thus, assure a consistent development of and application of patent law principles within the federal courts. As such, it would avoid the difficulties that arise through efforts in the state courts to assess the legal force and effect of patent claims, including in attorney malpractice cases.

### **Extend the Time Limit for Initiating Attorney Misconduct Proceedings**

Under § 9(h) of H.R. 9, the provisions of 35 U.S.C. § 32, which govern proceedings for the suspension of patent agents and patent attorneys for misconduct before the United States Patent and Trademark Office, would be amended to change the time limit for the institution of a misconduct proceeding from 1 year to 18 months from the date on which the misconduct became known to the Office.<sup>63</sup>

This provision has engendered some controversy within the patent bar among those who believe the higher priority for the Office should be to act promptly and not unduly prolong investigations of this type in light of the personal and professional cloud over an individual and her or his practice that may result from unresolved allegations of misconduct. The Committee should give due consideration to such concerns.

That said, the 18-month period that would be substituted for the 1-year deadline in the current statute represents a reasonable request on the part of the Office for a more adequate time period in which to fully and fairly conduct such an investigation. It is preferable to the alternative of bringing a misconduct proceeding prematurely in order for the agency to avoid having this statute of limitations run. As such, there is no reason for this provision not to remain as part of H.R. 9.

### **Clarify the Statutory Provisions on Patent Term Adjustment**

Under § 9(e) of H.R. 9, a clarification would be made to the calculation of the so-called “patent term adjustment” provisions. Adjustments are available to extend the

---

<sup>62</sup> *Gunn v. Minton*, 133 S. Ct. 1059 (2013).

<sup>63</sup> 35 U.S.C. § 32 currently provides, in relevant part, “A proceeding under this section shall be commenced not later than the earlier of either the date that is 10 years after the date on which the misconduct forming the basis for the proceeding occurred, or 1 year after the date on which the misconduct forming the basis for the proceeding is made known to an officer or employee of the Office as prescribed in the regulations established under section 2(b)(2)(D).”

terms of U.S. patents beyond the end of the 20-year statutory term of the patent that was established under the URAA. Under 35 U.S.C. § 154(b), the statutory patent term adjustment provision, there are three possible components to any “patent term adjustment.” They are based upon the United States Patent and Trademark Office taking too long (beyond a fixed time specified in the statute) for completing certain actions, failure to issue a patent within a target period of 3 years from initial filing (so as to afford a 17-year patent life, *i.e.*, the remainder of the 20-year patent term), and the pendency of special proceedings (secrecy order delays, patent interferences and derivation proceedings, and successful patent appeals). Given the potential conflict between these components, an overall limitation applies that prevents any adjustment beyond the “actual number of days the issuance of the patent was delayed.”

To say that making the needed calculations of extended term under provisions of this type can be problematic is an understatement. Since there is no established arrival and departure times for application for patent (as with a train schedule), there is no easy way to determine when the actual number of days of consumed by patent examination represents the “non-delayed: time to grant—and when the issuance of the patent has been “delayed.”

More significantly, for many patent applicants, the delay in issuance is an irretrievable loss. The patent term that gets added back to the patent’s life comes 20 years after the patent filing. At that point, many, perhaps most, patented inventions become technologically irrelevant. The investment opportunity that may have come from a promptly issued patent will be lost. Getting something back 10 to 20 years too late is hardly consolation for the benefits that might have come from a promptly examined and promptly issued patent.

Today, at least for some patent applicants, accelerated examination is available. Both “Track One Prioritized Examination” and “Accelerated Examination” have been created that have a final disposition objective of 1 year—meaning the patent owner could have nearly a 19-year patent life<sup>64</sup> if it had participated in the special examination process.

The proposal to amend the PTA statute would relocate a clause defining the start of the 3-year “guarantee” period where a day-by-day extension would apply and then more carefully identify the time not to be counted as part of the 3-year period, *i.e.*, when an application was undergoing “continued examination,” by identifying the start day of that time from the date of the patent applicant’s request for continued examination.

While these provisions seem reasonable on their face as clarifications of the PTA timing provisions, they have been opposed by elements in the patent bar. The Intellectual Property Owners Association has a very succinct statement of its opposition, “RESOLVED, that IPO opposes amendments to Patent Act section 154(b)(1)(B) that would deprive patent holders of effective patent term consumed by application

---

<sup>64</sup> See [http://www.uspto.gov/sites/default/files/aia\\_implementation/fast\\_exam\\_table20130912v1017.pdf](http://www.uspto.gov/sites/default/files/aia_implementation/fast_exam_table20130912v1017.pdf).

processing after request for continued examination is filed with the United States Patent and Trademark Office.”<sup>65</sup>

In an era when multiple options for accelerated examination are available to patent applicants—and the back-end remedy of adding lost patent life at a time when the march of technology may render the added term economically meaningless for many inventors—this Committee should consider whether to take a more comprehensive look at the PTA statute than this Band-Aid<sup>®</sup> fix to § 154(b)(1)(B)—especially given that, at best, it seems to have been negatively received within the patent user community.

I would urge the Committee to consider mechanisms under which access to PTA might be limited to those applicants truly interested in prompt patent issuance, *i.e.*, those who were willing to enter one of the special examination tracks that target a 1-year issuance. There are also bolder proposals that might better serve the interests of the patent system that may merit some consideration—and replace the PTA statute entirely.

Section 154(b)(1)(B) is captioned “Guarantee of no more than 3-year application pendency.” The Committee might consider replacing it with a “guaranteed issue date” provision allowing an applicant to make a request with the patent filing for such a guaranteed issue date and, if at the expiration of the 3-year period the patent examination was not complete, immediately issuing the patent to the applicant at the 3-year deadline (should the applicant then reiterate the request), with the remaining examination of the claims of the newly issued patent to be completed via a post-grant *ex parte* reexamination of the type authorized in the AIA under 35 U.S.C. § 257(b). Such an examination-to-reexamination transition could be seamless and allow the post-grant reexamination to pick up wherever the pre-grant examination left off, without missing a beat.

### ***The Committee Should Look Beyond H.R. 9 to Advance Other Patent Reforms***

There was an extensive list of important patent reform issues that I brought to the Committee’s attention in my 2013 testimony that remain important topics that still merit consideration—either as part of H.R. 9 or as part of a next-Congress effort at further improving the patent system operation. Since 2013, more learnings are available from experience with the operation of the AIA. Not surprisingly, experience can raise new concerns. For some of these concerns, H.R. 9 would be the optimal vehicle for addressing them. In this context, I would ask that the Committee consider the following:

#### **Inter Partes Review—If It Cannot Be Fixed, It Must Be Repealed**

The AIA Inter Partes Review procedure needs attention in this Congress.

Earlier this year, in the course of a one-on-one conversation with a company executive, he handed me a copy of a letter that his company had recently received. The letter had been sent to the company from a self-characterized “privately held investment venture whose financial interests include equity positions in both branded and generic

---

<sup>65</sup> <https://www.ipso.org/index.php/advocacy/board-resolutions/2013-board-resolutions/>.

pharmaceutical firms.” The unsolicited letter sought a multi-million dollar “settlement” from the company. If the company agreed to the “settlement” terms—and forked over to the “investment venture” the millions of dollars requested as settlement amounts—then the “investment venture” would refrain from filing an IPR petition seeking to invalidate one of the company’s patents.

Just in case the company might be clueless about the implications, the letter characterized for the company what was at stake if it were not amendable to a “settlement”:

“We trust you are aware of the important role that *Inter Partes* Reviews are playing in expeditiously eliminating invalid patents. As you are likely aware, the Administrative Patent Judges of the Patent Trial & Appeal (“PTAB”) that adjudicate *Inter Partes* Reviews apply a meaningfully lower standard of proof for invalidity than District Court judges do in bench trials, and have become ‘death squads’ according to former Chief Judge Randall Rader of the U.S. Court of Appeals for the Federal Circuit.”

The investment venture went on to state it “has prepared, and is ready to promptly file, with the USPTO and prosecute through final decision, at least one *Inter Partes* Review... .” The letter stated the investment venture was “resolutely confident that the IPR Petition ... presents a significant and terminal threat to” the company’s patent at issue.

I also had the opportunity to read a relevant Wall Street Journal article last week,<sup>66</sup> in which the AIA’s IPR process was discussed. The article addressed IPR use by Kyle Bass, whose investment operations may include speculation on share-price movements for his IPR targets and their competitors:

Mr. Bass’s strategy taps an administrative process known as *Inter Partes* Review, or IPR, that allows petitions to strike down patents to be heard by a patent office panel. The process was created by Congress in 2011 to help companies fight so-called patent trolls, nonoperating companies that extract cash settlements from companies they accuse of patent infringement. The panel is a cheaper and faster option than trials in federal courts.

IPR challenges are evaluated by a panel of three administrative patent judges who use a broader set of criteria than the courts when deciding whether patents should be invalidated, making it much easier to strike down patents, experts said. Some 77% of patents evaluated

---

<sup>66</sup> <http://www.wsj.com/articles/hedge-fund-manager-kyle-bass-challenges-jazz-pharmaceuticals-patent-1428417408>.

through the IPR process have been invalidated or disclaimed by their owners, according to an analysis published last year in the University of Chicago Law Review.

... Mr. Bass was pitching wealthy individuals and institutions to invest in a dedicated fund that would bet against, or short, the shares of companies whose patents Mr. Bass believed to be specious, and wager on rivals that could benefit. In particular, Mr. Bass was interested in older patents which he believed to be more vulnerable.

The fund requires a minimum \$1 million investment, and Mr. Bass's firm will keep 20% of all profits earned, according to a person familiar with the matter. The trades also will be part of Hayman Capital's main fund.

In addition, I have had the opportunity to review some relatively recent statistics on IPR proceedings.<sup>67</sup>

- In more than four of five IPRs that are instituted, they represent potentially redundant proceedings.
- For 82% of IPRs, a parallel district court proceeding is underway in which the very same patent invalidity issues were pleaded and would have been efficiently managed and resolved that the IPR opportunity not been present.
- The “success rate” in having patent claims held invalid in IPR proceedings is high. According to Love *et al.*, “Among IPRs that reach a final decision on the merits, all instituted claims are invalidated or disclaimed more than 77 percent of the time.”<sup>68</sup>

So, what is it that the Committee might conclude from what has transpired with the IPR process since it went live in 2012? Three questions cry out for an answer:

- Should IPR be an arena in which “investment ventures” are able to develop a business model based upon the ability to predict in advance share price moves for companies and their competitors once the venture issues a press release issues that an IPR has been filed on a patent that is material to the company's future?

---

<sup>67</sup> Love, Brian J. and Ambwani, Shawn, *Inter Partes Review: An Early Look at the Numbers* (October 20, 2014). University of Chicago Law Review Dialogue, Vol. 81, p. 93, 2014. Available at SSRN: <http://ssrn.com/abstract=2512519>.

<sup>68</sup> *Id.*, at 94.

- Should IPR be able to be used to spawn yet another “reverse payment” industry where an “investment venture” seeks to get paid for not moving forward with what they assert is a bona fide challenge to a patent’s validity?
- Should IPR be used as a pure litigation tactic—to open a second front in an ongoing litigation war, where the same weapons have already been deployed against the patent in the district court pleading that, whether the IPR is instituted or not, the district court is fully able to consider and decide the patent validity issues?

These questions are important for the Committee to consider because they relate not just to *some* of what the IPR statute is about; these questions go to the heart of *most* of the use of the IPR proceeding.

In light of the above, one option that Congress could consider is outright repeal of the IPR statute. I can make a strong case that the IPR statute should be repealed.

The case for repeal goes something like this: All of the patent validity issues that have been raised in these IPR proceedings (and then some) could have been raised instead in the ex parte reexamination process that has been in place in the United States Patent and Trademark Office for well over the past quarter century.<sup>69</sup> This is, indeed, the case for all of the IPR requests made by investment ventures—they could have been ex parte reexaminations requests on the very same grounds, bringing forth the very same evidence, as is permitted in the IPR. As the above statistics indicate, the overwhelming number of the patent validity issues that have been raised in these IPR proceedings were under active adjudication in a parallel district court proceeding—and would have been adjudicated elsewhere had IPR not been created. Lastly, once the PGR statute fully operational and running in steady state—which will happen with the issuance of ever greater numbers of first-inventor-to-file patents and with H.R. 9’s judicial estoppel fix in place—the United States Patent and Trademark Office will need to make room for a far greater number of the far more expansive PGR procedures.

Given all this, the flaws in the IPR process may be fatal ones—the best patent policy for the Nation may be to nurture the PGR process, but jettison the IPR process. If such an extreme response is not yet warranted, the alternative that the Committee may prefer to explore is whether or not it is possible to tinker with the IPR process in the hope that it can be salvaged.

Both PGR and IPR contain a number of features that were designed to have built-in advantages for organizations wishing to challenge patents once issued. The PGR/IPR procedures are less expensive and are completed over shorter time horizons than many district court validity determinations. There is a limited time and a limited ability in the IPR process to discover and present evidence that might be most supportive of

---

<sup>69</sup> Ex parte reexamination under Chapter 30 of title 35 traces its origin back to 1980. Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015.

patentability for some types of inventions. Patents in these proceedings are not presumed to be valid. The evidentiary standard that applies in federal district courts—the clear and convincing evidence standard to invalidate—does not apply in the PGR/IPR context.

An important difference exists, however, between these various features as they apply to the PGR proceeding—which can take place, if at all, only in the immediate aftermath of the issuance of a patent—and the IPR proceeding, which can be sought by petition filed at any juncture during the life of a patent. When investments are made, products are developed, and businesses are built based a patent that went through the examination gauntlet at the United States Patent and Trademark Office, the better patent policy would dictate that it should be no casual matter to upset that patent. For patents starting out as ideas—that hard work and sustained investment in reliance on the validity of patent rights have turned into patent-protected products on which a thriving business has been built—such property rights should not be casually nullified, save for good and sufficient reason arrived at through a thorough and careful adjudicatory process.

At a minimum, these considerations suggest that the rules of the IPR game should be considered in this different light from the considerations that apply to newly issued patents. I would, thus, urge the Committee to take a careful look at the IPR process and determine what measures might be included, as part of H.R. 9, that would be merit saving, rather than sacrificing, this procedure for the good of the patent system.

As a start, there is no reason that patent claims in an IPR cannot be accorded the presumption of validity as would apply in a patent infringement litigation. Additionally, there is no reason that the invalidity contentions in an IPR proceeding cannot be evaluated under the clear and convincing evidence standard that would apply in a district court review of the same patent.

These measures, taken together with the critically important reform already present in H.R. 9, *i.e.*, the abandonment of the use of a claims “broadest reasonable construction” in determining the validity of the patent claims, would allow the IPR statute a fresh start—and allow the procedure to prove that it has a non-redundant role relative to district court proceedings in a substantial number of situations—and could no longer be perceived as a legal nectar for investment bees looking for their next sting.

As I noted earlier, such changes would not slam the USPTO door on anyone with a valid concern over an invalid patent. The *ex parte* reexamination process in the United States Patent and Trademark Office covers all the validity issues available in IPR—and is available throughout the life of the patent. And, federal district courts for two centuries worked without any help from the United States Patent and Trademark Office to address all the validity issues pled as defenses to patent infringement allegations.

In sum, I would implore the Committee—in looking for ways to make H.R. 9 a more effective legislative vehicle—to consider the developments on the IPR front over the past several years as important enough to merit making fundamental changes now in how the procedure operates.

## Enact a “Research Use” Exception to Patent Infringement

In my 2013 testimony before the Committee, I mentioned the importance to the patent system of a clear, statutory provision dealing with when research or experimentation on a patented invention would give rise to infringement liability to the patent owner and when researchers were free to undertake such experimentation without liability for the patent’s infringement. If anything, the need for Congress to act has only grown stronger over the past year.

Absent the recognition of a right to research and experiment, the courts have addressed the need for freedom to conduct research on or experiment on patented inventions, such as patents directed to basic scientific tools, by imposing constraints the scope of subject matter eligibility—what subject matter can fall within the scope of protection under a patent and what cannot. Making patents categorically unavailable for important new discoveries can cut off the ability to make the investments necessary to bring such discoveries to market.

The need for demonstrably excessive constraints on subject matter that can be patent-eligible becomes unnecessary once an effective right to research and experiment on patented inventions is properly recognized in the patent laws. As the Supreme Court has recently noted, “without this [subject matter eligibility] exception, there would be considerable danger that the grant of patents would ‘tie up’ the use of such tools and thereby ‘inhibit future innovation premised upon them.’ [citation omitted.] This would be at odds with the very point of patents, which exist to promote creation.” *Ass’n for Molecular Pathology v. Myriad*, 133 S. Ct. 2107, 2116 (2013). With a viable and clear “research use” exception, this rationale for limiting patent eligibility disappears.

A “research use” exemption could be readily enacted by adding a 35 U.S.C. § 271(j):

“(j) EXPERIMENTAL USE. —The acts described in subsections (a) and (g) shall not extend to making or using a claimed invention for experimental purposes in order to discern or discover—

- “(1) the patentability or validity of the claimed invention and the scope of protection afforded thereunder;
- “(2) features, properties, inherent characteristics or advantages of the claimed invention;
- “(3) methods of making or using the claimed invention and improvement thereto; and
- “(4) alternatives to the claimed inventions, improvements thereto or substitutes therefor.”<sup>70</sup>

---

<sup>70</sup> The text above is substantially the proposal of the American Intellectual Property Law Association. See pp. 25-26, *AIPLA Response to the National Academies Report entitled “A Patent System for the 21st Century”*, at <http://www.aipla.org/advocacy/executive/Documents/ReapBeneGenProtRes.pdf>.

This type of statutory research-use exception was recommended by two studies undertaken by the National Academies.<sup>71</sup> Given this pedigree and the ripeness of this issue, I would urge the Committee to see whether room for it in H.R. 9 can be found.

### **Complete the Journey to a Fully Transparent Examination Process**

One of the most significant enhancements made to the U.S. patenting process took place with enactment of the American Inventors Protection Act of 1999.<sup>72</sup> The formerly secret patent examination process in the United States became largely open to the public. The AIPA mandated the publication of most applications for patent at 18 months from the original provisional or nonprovisional patent filing date.

Because of deficiencies in the pre-AIA U.S. patent law that exposed U.S. inventors whose applications had been published to assertions—including entirely bogus assertions—of “prior invention,” Congress inserted an exception to mandatory publication into the AIPA. Such bogus assertions could come from individuals seeking patents asserting that they were the “first to invent” the inventions disclosed in the published applications of others. As a result, the AIPA provided that any patent application that is not filed outside the United States is not subject to mandatory publication.

To this day, a small number of U.S.-based patent applicants elect to keep their patent applications secret until a patent issues. However, with the passage of the AIA, the specter of these types of interlopers coming to the United States Patent and Trademark Office with assertions they are the prior inventors of inventions made public in U.S. published patent applications has vanished.

The new law, in fact, provides *categorical protection* for the inventor of the published patent application. Today, once an inventor has filed for a patent and the inventor’s patent application has published, no one else is able to secure a patent based on any later-filed patent application seeking a patent on the published invention—or any subject matter that would be obvious in view of the published invention.

Instead of the 18-month publication exposing an inventor whose patent filing has published to the potential loss of patent rights—as was the case under the pre-AIA patent law—the AIA now provides significant advantages to the inventor whose applications published. A published patent filing serves as a preemptive weapon to assure competitors cannot patent the same or obvious subject matter through any later-made patent filing.

---

<sup>71</sup> Stephen A. Merrill and Anne-Marie Mazza, Eds, *Reaping the Benefits of Genomic and Proteomic Research: Intellectual Property Rights, Innovation, and Public Health*, Committee on Intellectual Property Rights in Genomic and Protein Research and Innovation, National Research Council, National Academies of Science (2006), at [http://www.nap.edu/catalog.php?record\\_id=11487](http://www.nap.edu/catalog.php?record_id=11487) and Stephen A. Merrill, Richard C. Levin, and Mark B. Myers, Eds., *A Patent System for the 21st Century*, Committee on Intellectual Property Rights in the Knowledge-Based Economy, Board on Science, Technology, and Economic Policy, Policy and Global Affairs Division, National Research Council, National Academies of Science (2004). See <http://www.nap.edu/html/patentsystem/0309089107.pdf>.

<sup>72</sup> Act of Nov. 29, 1999, Pub. L. No. 106-113, § 4001, 113 Stat. 1501, 1501A-552.

In addition, by enacting an across-the-board mandatory publication provision for all first-inventor-to-file patents covered by the AIA, all inventors get the benefits of “herd immunity” from knowing that all potentially relevant patents sought by their competitors have published and that they can expect freedom of action in moving their products in development through to market. Unless all applications publish, however, no inventor can know for sure if a competitor’s never-published application might belatedly issue as a patent that could suddenly raise invalidity or infringement concerns for the inventor.

With the AIA now approaching its fourth anniversary of enactment, it is an optimal time for the Committee to consider providing inventors the full benefits of the transparency initiative of the AIPA. The concerns over the risk inherent in publishing a pending patent application—although always more theoretical and actual—have been swept away through the AIA and replaced by clear benefits to publishing inventors. Indeed, they are fully optimized only when publication is mandated for all applications.

With this in mind, I would urge the Committee to consider whether the time is right to mandate publication of all pending applications for patent through removal of the AIPA’s opt-out provision.

### **Perfect the AIA’s First-Inventor-to-File Provisions**

With the AIA heading to the fourth anniversary of its enactment, it is also an opportune time for the Committee to review the extensive commentary on the Act. Having been exposed to some of this commentary, I am aware of several statutory loose ends—in the sense that there are parts of the new statutory text where the Congress could underscore or clarify or simplify the 2011 law. None of the issues that have emerged over the past four years rise beyond the nuisance level, either individually or collectively. Thus, in any prioritization process, addressing any of these issues likely belongs at the end of the line.

Nonetheless, here is a brief list of points that the Committee may wish to consider:

- ✓ ***Provide an appropriate preamble for § 102(a)(1).*** The current preamble (“A person shall be entitled to a patent unless”) provides no appropriate antecedent for the term “claimed invention” that follows and is a carryover from the pre-AIA patent law where it, among other things, established the right of an inventor to a patent.<sup>73</sup> An appropriate preamble, mirroring the preamble in § 103, would be: “A patent on a claimed invention may not be obtained if—” and would provide an appropriate antecedents in § 102(a)(1). This could require a corresponding change to § 101 to relocate the right to patent provision on this section of title 35. The term text “may obtain” would be changed to “shall be entitled to”.<sup>74</sup>

---

<sup>73</sup> Under pre-AIA 35 U.S.C. § 102(f), the statute effectively provided that, “A person shall be entitled to a patent unless ... he did not himself invent the subject matter sought to be patented... .”

<sup>74</sup> The amended text would read:

- ✓ ***Remove the residual provisions in title 35 referencing the now-defunct “best mode” requirement.*** One of the major recommendations of the National Academies of Sciences in their seminal report on the operation of the patent system was to remove the subjective elements from the patent law and move the U.S. patent law closer to international norms. The report made a dual recommendation to eliminate the so-called “best mode” requirement from U.S. patent law. This objective was accomplished under the AIA—the requirement no longer applies to any determination of the validity of a patent, but the shell of the defunct requirement remains in the statute. The Committee should consider a statutory cleanup that would remove the vestiges of this requirement.
  
- ✓ ***Underscore that prior art under the AIA is limited to prior public disclosures or prior U.S. patent filings that subsequently become public.*** This can be best done by simplifying 35 U.S.C. § 102(a)(1) through elimination of the words, “patented, described in a printed publication, or in public use, on sale, or otherwise” so that the remaining text defining prior art would read, “the claimed invention was available to the public before the effective filing date of the claimed invention.” In enacting the AIA, the House Report stated: “[T]he phrase ‘available to the public’ is added to clarify the broad scope of relevant prior art, as well as to emphasize the fact that it must be publicly accessible.”<sup>75</sup> The terms “patented” and “described in a printed publication” have long referenced only publicly accessible subject matter.<sup>76</sup> The terms “in public use” and “on sale” were subject to a pre-AIA exception to the general rule that precluded non-public uses and sales from constituting prior art; the AIA repealed this exception.<sup>77</sup> Thus, the

---

“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, [may obtain] shall be entitled to a patent therefor, subject to the conditions and requirements of this title.”

<sup>75</sup> House Report on H.R. 1249, No. 112-98, 111<sup>th</sup> Cong. (June 1, 2011), p. 43.

<sup>76</sup> The words “patented” and “printed publication” have meanings that have become synonymous with the phrase “available to the public. The term “patented” currently has no meaning other than a disclosure made available to the public, *i.e.*, “There seems to be no logical reason why the granting of a secret patent abroad should be a bar to patenting in this country. Such a foreign patent is of no value to persons in this country unless and until it is made available to the public.” *Application of Bo Thuresson Af Ekenstam*, 256 F. 2d 321, 324 (C.C.P.A. 1958). The term “printed publication” no longer requires traditional “printing” or traditional “publishing,” but now merely means public accessibility, *i.e.*, “We agree that ‘printed publication’ should be approached as a unitary concept. The traditional dichotomy between ‘printing’ and ‘publication’ is no longer valid. Given the state of technology in document duplication, data storage, and data-retrieval systems, the ‘probability of dissemination’ of an item very often has little to do with whether or not it is ‘printed’ in the sense of that word when it was introduced into the patent statutes in 1836. In any event, interpretation of the words ‘printed’ and ‘publication’ to mean ‘probability of dissemination’ and ‘public accessibility,’ respectively, now seems to render their use in the phrase ‘printed publication’ somewhat redundant.” *In re Wyer*, 655 F. 2d 221, 226 (C.C.P.A. 1981).

<sup>77</sup> The terminology “in public use or on sale” under the pre-AIA § 102(b) have meanings that are synonymous with the phrase “available to the public” with one narrow exception that applied to activities connected to the inventor. *Pfaff v. Wells Electronics, Inc.*, 525 US 55 (1998). Outside this narrow context, these terms have always required public accessibility, *WL Gore & Associates, Inc. v. Garlock, Inc.*, 721 F. 2d 1540, 1550 (Fed. Cir. 1983), “[I]t was error to hold that [a non-inventor’s] activity with the [alleged prior art] machine, as above indicated, was a ‘public’ use of the processes claimed..., that activity having been secret, not public. ... There is no reason or statutory basis, however, on which [a non-inventor’s]

deletion of these words would immediately end a non-productive, essentially academic debate as to whether Congress designed the *same* phrase “in public use ... or otherwise available to the public” to have *opposite* meanings: to *include* non-public uses as prior art in some situations and *preclude* non-public uses as prior art in other situations.<sup>78</sup>

- ✓ ***Improve the protection available for the first-to-publish inventor in situations where rival groups of inventors both publish and/or seek patents on the same or nearly the same subject matter at the same or nearly the same time.*** The AIA contained unprecedented provisions designed to protect the first-publishing inventor who later seeks a patent in situations where a separate and independent group of inventors also publish and/or seek patents on the earlier-published invention or on closely related subject matter. Following implementation of these provisions, they have been criticized, including by their proponents, as being ineffective. The provisions in question are found in 35 U.S.C. § 102(b)(1)(B) and § 102(b)(2)(B). Consideration should be given to repeal of these provisions and replacing them with a simpler and more direct provision that would treat a first-publishing inventor’s disclosures, for patent priority purposes, as though they had been made in a provisional patent filing. This type of provision could be crafted to afford the publishing inventor with complete parity in terms of protection that the inventor would have received had the inventor made a provisional patent filing instead of or in addition to the publication.

## ***Conclusion***

The expectations are high that this Congress will conclude a major patent litigation reform bill. This requires—as it did in the last Congress—that the major constituencies affected by the patent system work through the outstanding issues that might otherwise stand in the way of the broad consensus that is typically needed for any set of major changes to the U.S. patent system to become law. H.R. 9 is a near-perfect platform from which to work through to a successful and effective piece of legislation. Today’s hearing will hopefully assist the Committee in identifying those areas of the bill that merit further additions, changes and refinements, particularly in light of recent developments. In that spirit, I would extend to the Committee my best wishes for reaching a successful outcome here and an offer of whatever continuing assistance and support I might be able to provide to these efforts.

---

secret commercialization of a process, if established, could be held a bar to the grant of a patent to [the inventor] on that process. ... The district court therefore erred as a matter of law in applying the statute and in its determination that [a non-inventor’s] secret use of the [alleged prior art] machine and sale of [a product thereof] rendered all process claims ... invalid under § 102(b).” The additional of “otherwise available to the public” in § 102 erased this inventor-only exception.

<sup>78</sup> This interpretation of the “public use” element in § 102(a)(1), *i.e.*, in some circumstances non-public uses are included as “public uses” and in other situations non-public uses are excluded as “public uses”—notwithstanding the overarching requirement for public availability inserted into § 102(a)(1)—has been advanced in Lemley, Mark A., *Does “Public Use” Mean the Same Thing It Did Last Year?* (February 11, 2014). Stanford Public Law Working Paper No. 2394153. Available at SSRN: <http://ssrn.com/abstract=2394153> or <http://dx.doi.org/10.2139/ssrn.2394153>