



PIAUSA.org  
Professional Inventors Alliance USA

U.S. Business and Industry Council



February 23, 2011

Dear Senator:

Our organizations represent America's *small businesses, start-up entrepreneurs, independent inventors, and technical professionals* employed by companies of all sizes. We write to clarify recent representations made to you by advocates of this bill: *this sector of the innovation community does NOT support S. 23*, the Patent Reform Act, in its current form.

The "first inventor to file" section of the bill has unique adverse effects on small business, start-up entrepreneurs, independent inventors, and U.S.-based technical professionals. It disrupts the unique American start-up ecosystem that has led to America's standing as the global innovation leader—the ecosystem that is vital to our businesses, but with which large firms have less expertise. Within the "first to file" section, the change to the filing grace period disadvantages small companies and independent inventors in favor of larger firms—the bill disadvantages companies that must seek outside financing and strategic partners, in favor of firms that can arrange all of their investment, testing, manufacturing, and marketing internally.

The bill favors multinational and foreign firms over start-up firms seeking an initial foothold in U.S. domestic markets, and favors market incumbents over new entrants with disruptive new technologies. Because S. 23 removes the option to delay patent expenses, the bill advantages established companies, and disadvantages start-ups that must seek and carefully shepherd their

that S. 23 not be enacted, and that the Senate shift its focus to putting PTO

Sincerely,

American Innovators for Patent Reform  
CONNECT  
IEEE-USA  
IP Advocate  
National Association of Patent Practitioners  
National Congress of Inventor Organizations  
National Small Business Association  
Professional Inventors Alliance USA  
U.S. Business and Industry Council

Getting to the truth of the matter on the patent reform that S. 23 would provide American Inventors—it is the American Invent Act for good and sound reasons ...

employees re

U.S. inventors and employees the rules to favor global can grace period.

the organizations that have 8, including but not limited to "grace period rules and backlogs are unacceptable.

om the broad and technically focuses only on long-term PTO ld renew their oversight of P red, and that PTO addresses i tion quality does not result f visit broader patent reform.

pective organizations, with acklog increases for PTO.

in the needs of inventors, not ity to foster and grow the co s the global leader in technol like the less-successful paten m."

assuredly damage one of the ation and start-up company f



U.S. Business and Industry Council



Fighting for American companies  
Fighting for American jobs



PIAUSA.org  
Professional Inventors Association

This letter purports to provide an analysis of the impact on small businesses and other “small entities” of enacting S. 23, including the impact from moving the U.S. patent system to the first-inventor-to-file principle. Instead of laying out the facts, this letter offers incomplete and demonstrably false statements about the impact of S. 23 on small businesses and other small entities as outlined below.

Virtually every official organization that has studied this issue, including the National Academy of Scientists (NAS), as well as a broad and diverse group of stakeholders (Coalition for 21st Century Patent Reform, NAM, universities, independent inventors, AIPLA, IPO, PhRMA, and BIO) has supported enactment by Congress of the first-inventor-to-file principle. This support stems in part from the disproportionate benefits that the change in US law to a first-inventor-to-file system would offer to small businesses and other small entities. S. 23 will significantly improve the U.S. patent system for small businesses and other small entities compared to current law.

Among the many benefits of moving the U.S. patent system to the first-inventor-to-file principle is the significant simplification of the U.S. patent law it will bring. That simplification will lead to a reduction in the costs of obtaining and defending patents. It will provide greater certainty as to the enforceability of every issued U.S. patent. It will create the prospect for more rapidly establishing patent rights. All of these improvements, as compared to existing U.S. patent law, will provide disproportionate benefits to small businesses and other small entities making use of the U.S. patent system.

Allegations that these beneficial features of S. 23 will be offset because the “grace period” provided in S. 23 will be less beneficial for inventors compared to existing U.S. patent law are wrong. These allegations concerning S. 23’s “grace period” are simply not true. They are based upon an apparent misunderstanding of both how the “grace period” operates under existing U.S. patent law and how S. 23 will actually enhance the value of the “grace period.” Moreover, the principal beneficiaries of the enhanced “grace period” under S. 23 will be small businesses and other small entities (see more below).

February 23, 2011

Dear Senator:

Our organizations represent America’s *small businesses, start-up entrepreneurs, independent inventors, and technical professionals* employed by companies of all sizes. We write to clarify recent representations made to you by advocates of this bill: *this sector of the innovation community does NOT support S. 23*, the Patent Reform Act, in its current form.

The “first inventor to file” section of the bill has unique adverse effects on small business, start-up entrepreneurs, independent inventors, and U.S.-based technical professionals. It disrupts the unique American start-up ecosystem that has led to America’s standing as the global innovation leader—the ecosystem that is vital to our businesses, but with which large firms have less expertise. Within the “first to file” section, the change to the grace period disadvantages small companies and independent inventors in favor of larger firms; the bill disadvantages companies that must seek outside financing and strategic partners, in favor of firms that can arrange all of their investment, testing, manufacturing, and marketing internally.

The bill favors multinational and foreign firms over start-up firms seeking an initial foothold in U.S. domestic markets, and favors market incumbents over new entrants with disruptive new technologies. Because S. 23 removes the option to delay patent expenses, the bill advantages established companies, and disadvantages start-ups that must seek and carefully shepherd their

The “grace period” to which the letter refers is an element of US law under which an inventor who publicly discloses his or her invention has a one year period in which to file a patent application before that disclosure becomes a bar to obtaining a patent, hence the term “grace period” – the disclosure is “graced” for one year. [Continued next page.]



U.S. Business and Industry Council



Fighting for American companies  
Fighting for American jobs



PIAUSA.org  
Professional Inventors Alliance USA

February 23, 2011

Dear Senator:

Our organizations represent America's *small businesses, start-up entrepreneurs, independent inventors, and technical professionals* employed by companies of all sizes. We write to clarify recent representations made to you by advocates of this bill: *this sector of the innovation community does NOT support S. 23*, the Patent Reform Act, in its current form.

The "first inventor to file" section of the bill has unique adverse effects on small business, start-up entrepreneurs, independent inventors, and U.S.-based technical professionals. It disrupts the unique American start-up ecosystem that has led to America's standing as the global innovator leader—the ecosystem that is vital to our businesses, but with which large firms have less expertise. Within the "first to file" section, the change to the filing grace period disadvantages small companies and independent inventors in favor of larger firms. the bill disadvantages companies that must seek outside financing and strategic partners, in favor of firms that can arrange all of their investment, testing, manufacturing, and marketing internally.

The bill favors multinational and foreign firms over start-up firms seeking an initial foothold in U.S. domestic markets, and favors market incumbents over new entrants with disruptive new technologies. Because S. 23 removes the option to delay patent expenses, the bill advantages established companies, and disadvantages start-ups that must seek and carefully shepherd their

S. 23 not only preserves the "grace period," but it also actually enhances it. Today, an inventor who relies on the "grace period" could find that his or her early public disclosure is the subject of a patent application filed by another after the disclosure. Under the existing law, the person who is the first to file a patent application is presumed to be the "first to invent," a presumption that is very difficult to overcome in a legal proceeding (referred to as an "interference") to determine which of the two competing patent applicants was actually first to invent. These proceedings can last for years and require the investment of millions of dollars in patent attorney fees. In fact, studies have shown that independent inventors lose rights to patents under the existing first-to-invent system of priority that they would have won in a first-inventor-to-file system of priority. S.515 cuts off the right to file or maintain a patent application on subject matter first disclosed by another before the filing of an application.

S. 23 does not change any of the imperatives that already exist under current U.S. patent law for inventors to promptly seek patents once an invention has been made. Today, except in the rarest of situations, only inventors who are the first to file ever obtain a U.S. patent. Moreover, every day that a patent filing is delayed under current law creates another day's worth of new prior art that can serve to bar a patent for lack of novelty or obviousness. S. 23, thus, does not add to the existing "pressure" for filings. Instead, it provides inventors a more secure "grace period" by cutting off patent filings by another following an inventor's "grace period" disclosure.

S. 23 strengthens the U.S "grace period" by protecting an inventor who publicly discloses his or her invention before seeking a patent by precluding another from using that public disclosure to file for a patent on that invention or on some obvious variation of that invention. The other person, even if the first to file for a patent, will have its patent denied and its earlier filing will be disregarded on the basis of the information disclosed by the publishing inventor.

capital. S. 23 reduces current advantages for U.S. inventors and employees, and thus increases incentives for off-shoring jobs. S. 23 changes the rules to favor global companies, against the start-up business model that utilizes the American grace period.

In addition to the issues raised above, many of the organizations that have signed this letter have serious concerns with other provisions of S. 23, including but not limited to post-grant review. Increased filings driven by S. 23's "use it or lose it" grace period rules and by post-grant review will further burden PTO at a time when PTO's backlogs are unacceptable.

We urge Congress to shift its attention away from the broad and technically difficult S. 23, and instead pass a streamlined, targeted bill that focuses only on long-term PTO funding. Furthermore, both chambers of Congress should renew their oversight of PTO operations, to ensure that new funding is properly administered, and that PTO addresses its operational challenges. If (and only if) increased examination quality does not result from increased funding and operational oversight, should Congress revisit broader patent reform.

The attachment sheet lists materials from our respective organizations, with our concerns for S. 23's changes, harms to our members, and backlog increases for PTO.

America's patent system has always focused on the needs of inventors, not bureaucracies. For 200 years, it has demonstrated its singular ability to foster and grow the country's small-business inventors, to help America achieve its status as the global leader in technological innovation and job creation. Changing U.S. patent law to be like the less-successful patent systems of Europe and Asia cannot be regarded as positive "reform."

We urge the Senate not to enact a bill that will assuredly damage one of the keys to America's competitive edge, and that jeopardizes job creation and start-up company formation. We urge that S. 23 not be enacted, and that the Senate shift its focus to putting PTO on a sound financial footing.

Sincerely,

American Innovators for Patent Reform  
CONNECT  
IEEE-USA  
IP Advocate  
National Association of Patent Practitioners  
National Congress of Inventor Organizations  
National Small Business Association  
Professional Inventors Alliance USA  
U.S. Business and Industry Council

National Academy of Scientists recommended, and S.23 provides, an all-issues, post-grant-review procedure in which a patent could be challenged during the initial nine months from grant on any of the issues of invalidity that could be considered in litigation, including double patenting and any of the requirements for patentability set forth in sections 101, 102, 103, 112, and 251(d) of title 35. This is followed by an modified inter partes reexamination procedure for the remainder of the life of the patent under which all issued patents would be eligible for inter partes reexamination, but limited to patentability issues under sections 102 (novelty) and 103 (non-obviousness) based on prior patents, printed publications and certain written admissions of the patentee.

S.23 also continues some very important safeguards that have been refined during the consideration of post-grant proceedings. In the "first window" post-grant review (PGR) proceeding available during the initial nine months following patent grant:

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

Similar safeguards and protections for patentees would be added to "second window" inter partes reexamination (IPR) proceedings. These include a higher threshold (reasonable likelihood of prevailing) for initiation, stronger estoppels (no subsequent proceedings in the Office or court on grounds that "the petitioner raised or reasonably could have raised"), IPRs would be conducted by the PTAB, and final determinations would be required in one year/18 months. These safeguards make IPRs quicker, fairer, and less burdensome for both patentees and challengers than existing inter partes reexamination proceedings.

capital. S. 23 reduces current advantages for U.S. inventors and employees, and thus increases incentives for off-shoring jobs. S. 23 changes the rules to favor global companies, against the start-up business model that utilizes the American grace period.

In addition to the issues raised above, many of the organizations that have signed this letter have serious concerns with other provisions of S. 23, including but not limited to post-grant review. Increased filings driven by S. 23's "use it or lose it" grace period rules and by post-grant review will further burden PTO at a time when PTO's backlogs are unacceptable.

We urge Congress to shift its attention away from the broad and technically difficult S. 23, and instead pass a streamlined, targeted bill that focuses only on long-term PTO funding. Furthermore, both chambers of Congress should renew their oversight of PTO operations, ensure that new funding is properly administered, and that PTO addresses its operational challenges. If (and only if) increased examination quality does not result from increased funding and operational oversight, should Congress revisit broader patent reform.

The attachment sheet lists materials from our respective organizations, with our concerns for S. 23's changes, harms to our members, and backlog increases for PTO.

America's patent system has always focused on the needs of inventors, not bureaucracies. For 200 years, it has demonstrated its singular ability to foster and grow the country's small-business inventors, to help America achieve its status as the global leader in technological innovation and job creation. Changing U.S. patent law to be like the less-successful patent systems of Europe and Asia cannot be regarded as positive "reform."

We urge the Senate not to enact a bill that will assuredly damage one of the keys to America's competitive edge, and that jeopardizes job creation and start-up company formation. We urge that S. 23 not be enacted, and that the Senate shift its focus to putting PTO on a sound financial footing.

Sincerely,

American Innovators for Patent Reform  
CONNECT  
IEEE-USA  
IP Advocate  
National Association of Patent Practitioners  
National Congress of Inventor Organizations  
National Small Business Association  
Professional Inventors Association  
U.S. Business and

Those supporting S. 23 have long favored authorizing the Director of the USPTO to set fees charged by the Office as proposed S. 23, but this authority is only a partial solution. It must be coupled  
1) with a mechanism to ensure that the fees collected can be retained by the USPTO and spent for the purposes for which they were paid, and  
2) the key tools (first-inventor-to-file, enhanced post-grant procedures, etc.) to improve efficiency and quality.

To obtain a complete understanding of the need for prompt enactment of S. 23, see <http://www.patentsmatter.com/issue/legislation.php>.

S. 23 does not adopt the European patent law model which is neither inventor-friendly nor collaboration-friendly and does not represent a "best practice" for a first-inventor-to-file patent law. S. 23 has been carefully crafted to keep the best inventor-and collaboration-friendly features of current U.S. patent law.

S. 23 should be enacted now. The only amendment needed is the addition of a mechanism to ensure that the fees collected can be retained by the USPTO and spent for the purposes for which they were paid.

*S. 23 produces a more transparent, objective, predictable and simple patent system for the for the benefit of all inventors.*