

August 27, 2007

The Honorable Nancy Pelosi
Office of the Speaker
H-232, US Capitol
Washington, DC 20515

Dear Speaker Pelosi,

IEEE-USA, which represents the interests of more than 215,000 engineers, scientists and allied professionals in the U.S., opposes the Patent Reform Act of 2007 (H.R. 1908). We believe that much of the legislation is a disincentive to inventiveness, and stifles new businesses and job growth by threatening the financial rewards available to innovators in U.S. industry. Passage of the current patent reform bill language would only serve to relax the very laws designed to protect American innovators and prevent infringement of their ideas.

Creative Americans made the United States the world's leader in innovation; American workers generate new intellectual properties that enhance our competitiveness; and companies – both large and small – thrive on the economic incentives that come from being able to protect intellectual property. At a time when many jobs are leaving this country, passage of H.R. 1908 would not only cost us our ability to compete globally, it could result in little reason for future generations of Americans to study math and science. We are very pleased that Congress passed the COMPETES Act, legislation that will improve STEM education for students so that the United States can continue to train the world's finest scientists and engineers. However, while U.S. companies may be able to look forward to a well-educated and prepared workforce, the employment of the next generation of the U.S. technology workforce is dependent upon the ability of *all* companies to have the undeniable right to protect and enforce their innovations.

IEEE-USA believes that, left as is, the patent reform legislation will create an environment that is harmful to individual inventors and small businesses. We are concerned that H.R. 1908 favors the companies with the financial resources that enable them to tread on others' patent rights by commercializing works and inventions they did not create. IEEE-USA would like to see patent reform legislation continue to support the ideals of the COMPETES Act and encourage and reward Americans who choose to become innovators.

While the legislation does contain some good aspects, H.R. 1908 contains many uncertainties that require proper scrutiny as well as research to determine the overall effect on U.S. businesses. We ask that you not adopt patent reform until everyone, including Congress, understands the issues and the effects of the reform.

In particular IEEE-USA has the following concerns with this legislation:

Venue restriction provisions: In general, IEEE-USA supports the venue restriction provisions of the bill with the exception of the “micro-entity” carve-out discussed below.

Microentity carve-out for venue provisions: IEEE-USA believes the “microentity” carve-out for venue provisions to be excessively restrictive, and results in certain unpredictable consequences. The definition is so restrictive that only a *de minimus* number of individuals will receive any actual benefit. For example, the income requirements exclude most engineers and inventors.

Standards for Patentability: IEEE-USA strongly opposes the revisions to the anticipation standard and elimination of 35 USC §102(f). This revision grants unreasonable extraterritoriality that disadvantages the United States without obtaining any concessions from other countries. Essentially, we are giving away extraterritorial control while receiving no reciprocity. This ushers in an infringement standard based only in the U.S., and an invalidity standard based internationally. This provision will strengthen foreign and multinational companies and weaken the position of U.S. companies and inventors.

Post-grant procedures and other quality enhancements: IEEE-USA IPC has strong reservations about creating post-grant procedures. Instead, we favor pre-grant improvements to patent procurement and other quality enhancements which may be achieved by allowing more examination time, and hiring and retaining further superior employees. Patent infringement lawsuits are filed primarily to rectify theft of innovations. The proposed post-grant procedures could be used by large entities as a tactical litigation delay (of up to one-and-a-half years), giving larger businesses an unnecessary competitive advantage. Post-grant procedures may also cloud the validity of issued patents, thus reducing the value of patents held by start-up companies and universities (particularly, from the view of venture capitalists).

Right of the inventor to obtain damages: While we applaud efforts to reduce the costs of litigation, IEEE-USA has reservations about this change in calculating patent infringement damages that will likely reduce the risk for established, large entities, giving them the advantage of increased bargaining power over smaller competitors and start-up companies. To promote the progress of useful arts, inventors deserve to be compensated according to the value of their inventions in an infringing product. In some areas of technology, modern products are composed of literally thousands of inventions. It will be difficult to consistently and fairly attribute value to patents based on improvements over the prior art, and apportionment of damages might not fully value a patented contribution. A single improvement to a small component of a device might completely elevate the operation of the entire device to “star status.” Patent holders and potential infringers may thus disagree on apportionment when calculating the damages valuation. While it would be easier to apportion damages based on the total number of inventions involved, the courts must be allowed the flexibility to direct damage awards based on the true value of the infringing invention.

Regulatory authority: Congress should continue existing limitations on the PTO’s regulatory authority – which work well – and not expand it. IEEE-USA believes that the Director’s authority should be restricted to promulgating only regulations and procedural rules under 35 USC §2(b), which the Director determines necessary to carry out provisions of this legislation. This would give the Director the authority to adjust the agency’s operations to carry out new mandates without giving the position unlimited rule-making authority.

Submissions by third parties and other quality enhancements: IEEE-USA applauds the attempt to provide pre-grant submissions, but believes that pre-issue submissions could be used disproportionately by large corporations to block smaller entities attempting to protect innovations. Large corporations have the resources to research and follow the patent applications of start-up companies which are potential competitors. On the other hand, start-up companies have minimal resources to operate their endeavors, and likely do not have the time and resources to follow and submit prior art against the patent applications of large corporations. Accordingly, there will not be an equal level of scrutiny and prior art submission for all patent applications, creating a varying presumption of validity for patents.

A safeguard should be implemented to ensure equal scrutiny during prosecution of patent applications. IEEE-USA opposes mandatory publication. This exception should be maintained.

First-to-file inventor: IEEE-USA strongly opposes a change from a first-to-invent system to a first-to-file system without concessions from foreign countries. The current first-to-invent system is important to smaller entities and it seems unwise to give away this system without receiving concessions from patent systems in foreign countries.

IEEE-USA applauds the fact that Congress is making efforts to reform the U.S. patent system and we recognize the difficulty in addressing competing interests while simultaneously ensuring a favorable outcome for the very diverse patent-dependent industries in our economy. However, our hope is that you will reconsider the issues, and we ask that Congress reconsider hasty adoption of the bills in their current form to ensure that patent reform truly addresses U.S. business needs and ensures jobs in the U.S. by making the U.S. patent system work better.

Sincerely,

A handwritten signature in black ink that reads "John W. Meredith". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

John Meredith

2007 IEEE-USA President

A handwritten signature in black ink that reads "Keith Grzelak". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Keith Grzelak, Chairman

2007 IEEE-USA Intellectual Property Policy Committee