January 4, 2017

President-Elect Donald J. Trump
Office of the President Transition
1800 F Street, NW
Washington, D.C. 20006

Re: Recommendations on Intellectual Property Priorities for the Trump Administration

Dear President-Elect Trump:

Congratulations on your election as the 45th President of the United States. The American Intellectual Property Law Association (AIPLA) commends you for making the economy a top priority for your Administration. We believe that a strong and balanced intellectual property system is essential to achieving this goal. As you work with your Transition Team to choose personnel and develop policy objectives, we offer the following recommendations with respect to intellectual property.

I. Background

AIPLA is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent (utility and design), trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping to establish and maintain fair and effective laws and policies that stimulate and reward invention but that also balance the public’s interest in healthy competition, reasonable costs, and basic fairness.

The U.S. intellectual property system is grounded in our Constitution, which recognizes the importance of laws that incentivize creativity and innovation. Specifically, our founding fathers granted Congress the power “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” See U.S. Const. art 1, §8, cl. 8.

Now, more than two and a quarter centuries later, intellectual property touches nearly every part of the U.S. economy, and every American interacts with intellectual property on a daily
basis. The entertainment we consume, the smart phones that keep us connected, the drugs that keep us healthy and cure diseases, the technology creating efficiencies in manufacturing, and everything in between, has been made possible through intellectual property.

It is not difficult to recognize the importance of this country’s intellectual property system. A recent report released by the U.S. Department of Commerce, jointly produced by the Economics and Statistics Administration and the U.S. Patent and Trademark Office (USPTO), found that intellectual property intensive industries in 2014 directly accounted for 27.9 million jobs, indirectly accounted for 17.6 million supply chain jobs, and accounted for $6.6 trillion of value added to the U.S. gross domestic product.¹

With that as background, AIPLA respectfully requests that you consider the following issues and comments as you select the leadership and continue to set out the priorities for the new Administration.

II. USPTO Leadership

The patents granted by the USPTO encourage technological advancement by providing incentives for invention, investment, and worldwide disclosure of new technology. The trademarks registered by the agency assist businesses to protect their investments, to promote goods and services, and to safeguard consumers from confusion and deception in the marketplace. By disseminating both patent and trademark information, the USPTO promotes an understanding of intellectual property protection and facilitates the development and sharing of new technologies.

A strong intellectual property system requires strong leadership, which starts with the appointment of a qualified executive to serve as the Director of the USPTO.

The USPTO Director is responsible for providing policy direction and management supervision for the USPTO’s issuance of patents and registration of trademarks. He or she reports to the Secretary of Commerce on policy matters. AIPLA has developed a report describing the important responsibilities of the Director and Deputy Director of the USPTO and outlining the specific skills and experience we believe are necessary to ensure an efficient and effective USPTO.² We offer a summary of the report’s recommendations below.


The leadership positions of the USPTO should be filled by individuals who are top-caliber, knowledgeable, intellectual property executives that have the ability and commitment to encourage innovation and economic growth in the United States. They should be experienced, highly respected leaders in whom the President, the Congress, and the intellectual property, business, and international communities can place their full confidence. They should have strong legal and executive leadership skills, as well as a comprehensive understanding of domestic and foreign intellectual property laws and related international agreements, preferably including patent and trademark prosecution, licensing and litigation experience.

Preferred candidates should have at least 15 years of industry or USPTO experience, with 10 or more years of managerial and fiscal responsibility in a corporation, administrative agency, or law firm.

III. Patents


Independent inventors, small and large businesses alike need a strong, balanced and predictable patent system to foster R&D, manufacturing and sales. Section 101 of Title 35 sets out the categories of patent-eligible subject matter that may be entitled to patent protection. However, recent Supreme Court decisions have created uncertainty about the kinds of innovations that are patent-eligible in certain industries, such as biotechnology and computer software. Meanwhile, the USPTO has experienced challenges in applying the Court’s evolving interpretation of patent eligibility into its examination processes. AIPLA believes that more clarity, whether from the courts or from the Congress, is needed in this area, and we ask that efforts to provide such clarity and predictability be supported by your Administration.

b. Patent Quality and USPTO Post Grant Proceedings

The U.S. patent system is intended to encourage disclosure of innovations by granting to inventors the exclusive right to their discoveries for a limited time. The issuance of high quality patents is central to ensuring the system is working efficiently and effectively.

A quality patent is one that claims an invention in a manner that allows the person of ordinary skill in the art to understand both the invention and the metes and bounds of the exclusive rights. The USPTO has recently undertaken a comprehensive effort to study, evaluate, and ultimately improve the overall quality of granted patents. Stakeholder participation has been a hallmark of this pursuit of quality, and we hope that this will continue throughout your Administration.

With regard to patents that have already been granted, ensuring quality was also addressed in part with the creation of Patent Trial and Appeal Board (PTAB) proceedings, as enacted in 2011 in the America Invents Act (AIA). When the AIA was enacted, then USPTO Director David Kappos recognized the need to continually study and improve these new proceedings to ensure that they serve the important purposes for which they were created. In the first few years of the PTAB’s existence, its proceedings have been used more than anticipated, and some are concerned that the proceedings, as currently implemented, are not as fair and balanced as they should be, and that they are stacked in favor of those seeking to invalidate patents. AIPLA believes that the proper balance can be found through targeted changes, and we look forward to working with your Administration in this effort.

c. Patent Litigation

Over the past several years, Congress has spent a significant amount of time studying the patent system in response to concerns about the patent litigation landscape.

Throughout this process, AIPLA has stressed that any changes to the patent system, legislative or otherwise, must balance the need to remove incentives for bad behavior against the need to maintain a system in which patent owners can effectively enforce their rights. Undermining patent enforcement would decrease the value of patents by interfering with the ability of inventors and companies to recoup the costs of research and development and ultimately monetize their innovations.

AIPLA anticipates that attention to these issues may continue into the next Congress. We believe that any debate on changes to the patent system must recognize and consider the changes that have taken place since this policy discussion began a few years ago, as summarized below.

First, the AIA was enacted in September 2011, a mere five years ago, bringing with it sweeping reforms to the patent system. The reforms include instituting a first-inventor-to-file system as a more objective basis for establishing the priority of rights, providing tools to allow third parties to participate in patent examination, and establishing the PTAB proceedings to allow third parties to challenge the validity of an issued patent. These tools were expected to decrease abusive patent litigation practices by reducing the issuance and enforcement of low quality patents, and by providing a lower-cost administrative procedure for challenging issued patents. This legislation has been in place for a relatively short period of time, and its overall impact on the patent litigation system has yet to be fully determined.

Second, the Supreme Court in 2014 changed the standard that courts use in determining whether to award attorneys’ fees in patent litigation.\(^4\) The change gives judges broader discretion to award attorneys’ fees, which is expected to reduce frivolous patent lawsuits and

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More recently, the Judicial Conference made changes to the Federal Rules of Civil Procedure governing discovery, which are expected to ease the burden on defendants in patent infringement actions. Additionally, the changes eliminate patent-specific pleading forms, which will now require patent owners to observe the pleading standards established by the Supreme Court for all plaintiffs. These changes went into effect in December 2015.

The cumulative impact of all these changes on the overall patent litigation system is just starting to be felt. While we recognize that these recent changes alone may not curtail all abusive litigation practices, AIPLA believes that they provide important context for any further discussions on patent litigation reform. Moreover, we believe it is imperative that any legislation considered must strike a balance between targeting any abusive litigation activities and maintaining a patent owner’s ability to enforce her/his valid patent rights. We look forward to working with your Administration in this area.

IV. Funding the USPTO

AIPLA believes that an important factor for ensuring the issuance of high quality patents is adequate funding for the USPTO examination process and notes that the USPTO is funded through the fees paid by the users of its services.

The steps already taken by the USPTO to address its quality and pendency issues which were made possible in large measure by allowing it to receive and use all of its fee revenues demonstrate the absolute necessity of allowing the USPTO to continue to retain and use its fee revenues. Given the importance of our intellectual property system as a key economic driver which attracts and protects investment in new technology, our country’s innovators who pay the fees deserve no less. Improvements at the USPTO depend on the Office’s fiscal ability to meet its growing challenges. AIPLA strongly supports allowing the USPTO to retain and use all of its fee revenues while ensuring continuing and appropriate Congressional oversight.

AIPLA encourages and supports efforts to improve and streamline the USPTO’s services. However, we are concerned about a Department of Commerce program that would require the USPTO to share services for human resources, information technology, and procurement functions. Depending on how it is implemented, a shared services program requiring a financial investment by the USPTO could conflict with the congressional intent under the AIA that the USPTO should retain all of the patent and trademark user fees it collects.

V. Trademarks

The primary function of the trademark system is to prevent consumer confusion regarding the source of goods and services, which in turn benefits U.S. businesses by giving them the ability to protect their brands and company goodwill.
Trademarks operate differently from patents in the U.S. intellectual property system. Unlike patent rights, which are exclusively federal, are rooted in the Constitution, and are established by the grant of a patent by the USPTO, trademark rights are rooted in common law and may be protected under state or federal law. Federal registration of a mark at the USPTO provides added benefits to the trademark owners whose marks are used in commerce. Federal protection and enforcement of trademarks are based on the Commerce Clause and regulated by Congress under the Lanham Act.

AIPLA would like to note that trademarks are also of critical importance to the U.S. economy. In fact, trademark intensive industries in 2014 contributed the most jobs of all of the intellectual property intensive industries.5

Trademarks protect individual entrepreneurs and publicly traded companies alike, and a strong, robust registration system is of great importance to our economy. As with patents, the USPTO has also established a commitment to improve the quality and accuracy of the Trademark Register. AIPLA believes the next leader of the USPTO should continue these efforts and should commit to improving the quality and integrity of the registration system by, among other things:

- Continuing efforts to strengthen the examination and enforcement protocols for maintaining and renewing issued registrations, in particular, ensuring that “dead” marks which have never been or are no longer being used in commerce are cancelled and do not impede the progress of new businesses who may be interested in a similar mark;
- Protecting U.S. consumers from confusion caused by the unauthorized use of foreign marks that are “Well-Known” in the U.S.;
- Promoting consistency and clarity in the grant or denial of registrations, particularly for marks which could be deemed disparaging and, therefore, unregistrable should this part of the trademark law be sustained by the Supreme Court6; and
- Continuing cooperative efforts to strengthen the Madrid System for the international registration of marks, especially considering the growing extent to which U.S. businesses operate globally and need brand protection.

5 “As in the 2012 report, trademark-intensive industries contribute the most to employment. These industries accounted for 23.7 million jobs in 2014 (up from 22.6 million in 2010), or 85 percent of all IP-intensive jobs (up from 83 percent in 2010).” U.S. Department of Commerce, Intellectual Property and the U.S. Economy: 2016 Update, supra note 2, at 10.

6 See Lee v. Tam, U.S., No. 15-1293, considering a Federal Circuit decision that Section 2(a) of the Lanham Act, 15 U.S.C. § 1052(a), barring the registration of disparaging marks is unconstitutional. See In re Tam, 808 F.3d 1321 (Fed. Cir. 2015).
VI. Copyrights

AIPLA believes the U.S. Copyright Office plays an essential role in the success of copyright industries and the economy as a whole. While creative works enjoy copyright protection as soon as they are fixed in tangible form of expression, registration at the U.S. Copyright Office provides additional benefits to a copyright owner, such as the ability to bring a copyright infringement action in a federal district court. By administering the exclusive rights that underlie countless business transactions, the Copyright Office has helped copyright industries grow, benefiting creators, business owners, and the public.

a. Leadership

As your Administration takes Office in January, there is also a vacancy at the head of the United States Copyright Office. Institutionally, the Copyright Office is a unique agency as it resides in the Library of Congress, and its leader, the Register of Copyrights, reports to and is appointed by the Librarian of Congress, not the President.

AIPLA believes that strong leadership of the Copyright Office is critically important to the overall strength of the U.S. intellectual property system and to the U.S. economy. As discussed below, the Copyright Office is in need of increased resources, fiscal autonomy, and modernized infrastructure. In our view, this requires elevating the Register of Copyrights to a Presidential appointee who is confirmed by the Senate. We hope that your Administration and the 115th Congress will consider making this and other structural changes to improve and modernize the Copyright Office.

Regardless of whether these changes are made to the Copyright Office, AIPLA has a continuing interest in a strong and balanced copyright system and in seeing that the Copyright Office is managed and directed by an individual having the highest qualifications. These include: in-depth knowledge of U.S. copyright law and international obligations of the United States under copyright treaties, thorough knowledge of the administrative laws and regulations that apply to the Copyright Office, and extensive experience in other relevant fields of law. We have also developed recommendations that outline the qualifications for the next Register of Copyrights.7

AIPLA believes that the Register of Copyrights must also possess significant managerial and administrative skills to: 1) direct and oversee several hundred employees performing a wide range of legal and administrative duties; 2) navigate inter-agency and other federal administrative concerns; and 3) address the significant backlog of copyright applications which potentially threatens the substantive rights of copyright holders.

b. Copyright Office Modernization

The Copyright Office administers the exclusive rights of copyright owners along with a broad array of responsibilities, including examining works, issuing copyright registrations, recording transfers of copyright ownership and other copyright documents, administering statutory licenses, and managing mandatory deposit requirements. It carries out each of these duties while ensuring public access to all of the related information. The deposit requirements, for example, play an important role in maintaining and expanding the collection of the Library of Congress.

As previously discussed, the Copyright Office is currently a department within the Library of Congress. This has recently presented a number of challenges in the Office’s ability to perform its functions to the standards of the copyright industries that depend on its services. As it currently stands, the Copyright Office lacks the authority and the budget to bring its registration system, and other information technology (“IT”), into the 21st Century.

Recognizing these problems, the House Judiciary Committee has spent significant time over the last several years studying U.S. copyright law and problems facing the Copyright Office. AIPLA believes that now is the time to take the information gathered through this process and move towards a solution and we welcome the recent announcement from the Committee leadership.\(^8\) We would support legislative action to appropriately modernize the Copyright Office so that it can meet the ever-expanding needs and expectations of Congress, its stakeholders, and the public. We look forward to working with your Administration on this issue.

VII. Additional Intellectual Property Areas of Interest

There are a number of additional issues on which AIPLA would welcome further discussion with your Administration, including:

a. Appointment of a Qualified IP Enforcement Coordinator (IPEC): The IPEC plays a critical role within the Administration to ensure that the agencies tasked with enforcement of U.S. IP rights are taking a coordinated, cooperative approach. It is imperative that this position is filled with a qualified professional.

b. Enforcement of IP Rights Abroad: Effective IP enforcement is not only essential to American businesses, but also vital for the protection of U.S. consumers from harmful counterfeit products. AIPLA would support efforts in raising the minimum standard of IP protection abroad to protect the investments of U.S. innovators. In addition, AIPLA would support efforts to

reduce counterfeiting, strengthen enforcement of exclusion orders issued by the U.S. International Trade Commission, strengthen design patent protection at the border, and reduce the economic costs for U.S. IP rights holders to enforce their rights.

c. **Trade Secrets Protection:** Many American businesses depend on trade secret protection to protect their innovations. There have been recent reports of increased trade secret theft by foreign hackers, international companies, and rogue employees interested in stealing U.S. business’ trade secrets. The passage of Defend Trade Secrets Act in 2016 was a positive step, and AIPLA encourages your Administration to continue efforts to protect U.S. trade secrets.

d. **Domain Names Registration and Enforcement:** The Internet presents many challenges for trademark owners, who must be vigilant in protecting their brands worldwide from misuse in domain names and websites. Trademark owners have a strong interest in the fair and effective governance of the Internet. As of October 2016, domain name administration responsibilities were changed, which was the last step in the privatization of the Internet’s domain name system. AIPLA believes that the evolving multi-stakeholder system must meet high standards for security and openness. Additionally, care must be taken to ensure that no government, coalition or international body will be empowered to undermine these standards. To ensure that these standards are being met, AIPLA believes that continued engagement and oversight throughout your Administration will be necessary.

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Thank you for taking the time to consider our views. AIPLA looks forward to working with your Administration to ensure that our intellectual property system continues to thrive, providing benefits to both the U.S. economy and the public at large.

Sincerely,

Mark Z. Whitaker
President
American Intellectual Property Law Association