December 4, 2013

The Honorable John Boehner
Speaker of the House
United States House of Representatives
The Capitol, Room H-232
Washington, DC  20215

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives
The Capitol, H-204
Washington, DC  20215

The Honorable Bob Goodlatte
Chairman
Committee on the Judiciary
United States House of Representatives
2138 Rayburn House Office Building
Washington, DC  20215

The Honorable John Conyers
Ranking Member
Committee on the Judiciary
United States House of Representatives
2142 Rayburn House Office Building
Washington, DC  20515

RE:  H.R. 3309, the Innovation Act

Dear Speaker Boehner, Minority Leader Pelosi, Chairman Goodlatte, and Ranking Member Conyers:

I am writing on behalf of the American Intellectual Property Law Association (AIPLA) to give our perspective on H.R. 3309, the Innovation Act, as reported by the House Judiciary Committee. AIPLA appreciates the various amendments made to H.R. 3309 that address concerns voiced about the introduced bill, particularly the removal of provisions that would have expanded the Transitional Program for Covered Business Method Patents. Unfortunately, we cannot support the legislation at the present time, as we remain concerned about a number of provisions in the bill and are concerned with the speed in which the legislation has moved forward. We look forward to continued discussions with you as the process progresses to ensure that any legislation strikes the right balance between restraining abusive behavior in patent litigation without impairing the valid rights of patent owners.

AIPLA is a national bar association with approximately 15,000 members who are lawyers in both private and corporate practice, judges, patent agents, academics, law students and patent and trademark office professionals. Our members practice in a wide and diverse spectrum of intellectual property fields, including patent, trademark, copyright, and unfair competition law, as well as other areas of law affecting intellectual property. They represent both owners and users of intellectual property, as well as those who litigate and prosecute before patent and trademark offices, which gives AIPLA a unique and varied perspective on patent litigation practices.
AIPLA recognizes that certain patent litigation abuses, and more specifically patent assertion abuses, have become a source of serious concern. Although the General Accountability Offices’ recent study reported that only twenty percent of patent litigation cases were due to assertion entities, we understand that there is a concern that there are cases where certain entities assert overbroad or invalid patent claims with an intent to simply extract settlements. These actions are often directed at multiple potential defendants, some of whom may feel compelled to settle primarily to avoid the cost of litigation.

To the extent that reform is necessary to deal with such concerns, however, we urge Congress to take a balanced approach that also continues to encourage innovation. We believe that it is imperative that any legislation in this area which aims to reduce incentives for abuse should do so while preserving the traditional rights of patent owners to protect and secure reasonable returns on their innovations, safeguarding the interests of users before the U.S. Patent and Trademark Office (USPTO) and the courts, and maintaining judicial discretion to appropriately manage litigation.

Moreover, AIPLA believes that such legislative reforms should approach the process by carefully targeting specific abusive actions, rather than singling out patent litigation or a particular category of litigant with inflexible statutory changes to the judicial process. Instead, it should encourage individual courts to more readily exercise their discretion in applying existing tools for case management, or, where necessary, the courts acting collectively could provide new tools that maintain the discretion and flexibility so important to trial judges.

As legislation moves forward, AIPLA has the following priorities:

- Ensure that provisions of Section 3 and Section 6 do not interfere with the traditional discretion of the courts by avoiding inflexible legislatively mandated rules, which may have unintended consequences, including impeding access to the courts. We note that the Judicial Conference Advisory Committee on Civil Rules has begun the process for amending the Federal Rules of Civil Procedure to reduce costs and delays in litigation through active case management and proportionality in discovery. Additionally, the U.S. Supreme Court has granted certiorari in two cases dealing with the standard for fee shifting in patent cases under the current 35 U.S.C. §285. Given these developments, legislative action on patent case management is premature and may even become unnecessary. As we learned through the process which led to the Leahy-Smith America Invents Act (AIA), the courts have an effective ability to recalibrate patent law to properly address legitimate concerns, without the challenges of crafting statutorily acceptable language.

- Retain Section 9(c), which aligns the claim construction standard in inter partes review and post-grant review with the standard used by district courts. As an alternative to
costly and often burdensome litigation, these processes should apply the same standards of review as used in the courts, so that consistent claim construction across these post-grant validity challenges will provide greater certainty in final decisions and reduce the need for further litigation.

- Clarify the language of Section 5, which would give courts express instruction to stay customer suits in favor of a suit against a manufacturer where the parties consent. We believe it is important to alleviate the threat of infringement from innocent end-users, and the influence it gives to abusers of the system. In doing so, it is crucial that the language is appropriately crafted and not so overbroad that genuine infringers receive the protection intended for the innocent.

- Remove Section 9(a), which strikes Section 145. While we understand the concern that these actions may constitute a burden on the resources of the USPTO, even though infrequently used, we believe it is important that the statute maintains an historic alternative means of providing for review of examiner decisions and establishing the rights of inventors, and should be retained.

- Retain Section 9(b), which corrects a so-called “scrivener’s error” made during the legislative process of the AIA by striking “or reasonably could have raised” from the estoppel provisions of 35 U.S.C. §325. This change is essential to improving patent quality, as intended by the AIA, by encouraging parties to use this new review proceeding to address questionable patents in the early stages of patent term when reliance, commercialization and related investment are likely at their minimum.

- Give further consideration to other provisions, such as Section 9(d) on Double Patenting, Section 9(f) on Patent Term Adjustment, and Section 9(g) on Clarification of Jurisdiction.

Finally, and perhaps most importantly, AIPLA continues to be disappointed that the legislation does not address the single most important reform available for improving the quality of patents, i.e., securing full funding for the USPTO. Congress understood the importance of giving the USPTO access to all of its user fees at the time of the AIA, but 2 years after its passage USPTO funds are again being made unavailable to the Office due to sequestration. The hoped-for improvements from the AIA were starting to be felt as new examiners were hired to tackle the backlog of pending patent applications, essential new IT systems were being developed, and new administrative procedures and proceedings were put into place. Sequestration has delayed all of these efforts and improvements, which undoubtedly risks undercutting major initiatives designed to continue improving the patent system, and it certainly seems imprudent to attempt to implement further initiatives mandated by this legislation.
We would welcome the opportunity to continue to work with you and your staff on constructive solutions to these issues moving forward. Thank you for considering our views.

Respectfully submitted,

Wayne P. Sobon
President
American Intellectual Property Law Association