

**SEC. 803. EFFECTIVE DATE, APPLICABILITY, AND TRANSITIONAL PROVISION.**

(a) **EFFECTIVE DATE.**—Except as otherwise provided in this title (including this section), the provisions of this title shall take effect on the date of the enactment of this Act [and shall apply only with respect to the remaining portion of fiscal year 2005 and fiscal year 2006].

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**Dissenting Views**

Patent reform is one of the most important issues facing Congress and the Nation. Increasingly our nation has an information based economy, and the key to such an economy is intellectual property such as patents, copyrights and trademarks. Studies establish that intellectual property drives this economy to the tune of \$5 trillion dollars, accounting for half of all U.S. exports and employing nearly 18 million workers. This is why the House Judiciary Committee has been working on patent reform for over 6 years, under both parties.

Unfortunately, the legislation does not represent an overall improvement over the status quo and, as presently drafted is not one that I can support. Among other things, I object to provisions in the bill that apply retroactively with regard to business method patents<sup>1</sup> and false markings cases.<sup>2</sup> Most of the proposed reforms in both the House and Senate patent reform bills such as the other post-grant provisions are applicable going forward, not retroactively. If we are seeking to craft a bipartisan bill with consensus, stripping the legal rights of private parties involved in pending litigation is a non-starter.

Section 18 in the bill is purportedly designed to create an administrative mechanism to review so-called business method patents whose validity has been questioned. However, Section 18 is both too broad and too narrow to serve its purported goal, and works an injustice on legitimate patent holders as a result. Section 18 is overly broad because it is retroactive, applying to patents granted more than a decade ago. It is also overly broad because it could affect patents that have been upheld as valid through additional review at the USPTO, such as *ex parte* re-examination, or that have been held valid by a federal court. It applies not only to business methods but also to apparatus inventions. On the other hand, Section 18 is too narrow because instead of applying to all kinds of business methods, it only applies to financially-related business methods. Further, it is unfair and inappropriate to force specific patent holders that have been through reexamination, or that have survived years of legal challenge, to defend their patents under an entirely new set of rules at the USPTO. It is also contrary to patent law norms and establishes a bad precedent for our trade partners to force a small subset of patent holders—those who have invented financially-related business methods and associated apparatus—to defend themselves in a new, retroactive procedure that does not apply to any other patent holders.

<sup>1</sup> America Invents Act, H.R. 1249, 112th Cong. § 18.

<sup>2</sup> *Id.* § 15(b).

I am also opposed to the section dealing with false markings cases. I say this as a member who has expressed concerns in the past with the Federal Circuit decision in *Forest Group Inc. v. Bon Tool Co.*<sup>3</sup> The legislation, in essence, would change the rules of the game for cases that are currently being litigated. To the extent legislation is needed, I support applying the new rules going forward because these rules would be implemented and cases would be adjudicated in conjunction with the new broader reforms of the entire patent system the bill proposes, creating balance and fairness for all parties. Moreover, based on recent court decisions that have already imposed more restrictive standards concerning present claims, there is absolutely no reason for Congress to interfere in these claims which are before the courts.<sup>4</sup>

I am also concerned about the creation of a 3-year safe harbor for companies accused of false marking their products. Providing a safe harbor for expiring patents only compounds the retroactivity problem by ensuring that almost all ongoing litigation will be eliminated.

I would also like to express my support for the Additional Views being filed by other Democratic Members noting improvements that should be made in the bill regarding *inter partes* reexamination.

It is my hope that these and other problems can be alleviated and the bill modified so that it can become a true bipartisan consensus product.

JOHN CONYERS, JR.

### Additional Views

Congressional efforts to enact comprehensive patent reform began in the 107th Congress. Since that time, various iterations of patent reform bills have fallen short of the elusive finish-line. Today, however, we are closer than we have ever been to crafting legislation that will strengthen the patent system and afford the U.S. Patent and Trademark Office (PTO) the resources it requires to clear the still sizeable backlog of patent applications and move forward to deliver to all American inventors the first rate service they deserve. We are not there yet and the process has not been perfect. But Committee Democrats are encouraged that some of the core provisions we sought, for example, the expansion of prior user rights and the end to fee diversion, are in H.R. 1249. We write separately to highlight our concerns with modifications to the post-grant review procedures designed to provide controls on the quality of issued patents.

A longstanding goal of patent reform has been to improve the PTO's administrative procedures for challenging dubious patents through reexamination. H.R. 1249 creates a new post-grant review procedure to provide an additional check on poor-quality patents than currently available under current law. However, this new procedure is limited to challenges filed within 12 months of the date that a patent is granted. This 12-month deadline will limit the util-

<sup>3</sup> *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009).

<sup>4</sup> *Unique Product Solutions, Ltd. v. Hy-Grade Valve, Inc.*, No. 10-1912, 2011 U.S. Dist. LEXIS (N.D. Ohio Feb. 23, 2011); *In re BP Lubricants USA Inc.*, Misc. Docket No. 960, 2011 U.S. App. LEXIS 5015 (Fed. Cir. March 15, 2011).

ity of the post-grant review as an efficient, low-cost alternative to litigation. The lack of clear notice of the precise scope of a given patent is well documented.<sup>1</sup> In several industries, patents are often multitudinous, vague, and highly abstract. This prevents practitioners from being able to identify and assess relevant patents before they receive some specific warning of liability, which often comes many years after a patent has been issued. For this reason, the National Research Council of the National Academies recommended, at a minimum, the creation of a "second window" for post-grant review challenges triggered by litigation or a threat of enforcement by a patent owner.<sup>2</sup>

In the absence of a second window, patent reform legislation should maintain the existing system for reexaminations by the PTO, through *ex parte* and *inter partes* procedures. *Inter partes* reexamination in particular provides important ongoing opportunities for expert review of patent validity in some cases. H.R. 1249 maintains this procedure with some changes. We support the continued existence of *inter partes* reexamination<sup>3</sup> as well as the creation of the new post-grant review procedure. However, we have significant concerns about the limitations that H.R. 1249 imposes on *inter partes* review.

Use of *inter partes* reexamination is already exceedingly rare in the status quo. In Fiscal Year 2010, 281 reexamination petitions were filed,<sup>4</sup> while 219,614 utility patents were granted.<sup>5</sup> The limitations imposed by H.R. 1249 and the managers amendment are motivated by assertions that the *inter partes* procedure may be abused to harass patent owners and interfere with the enforcement of valid patents. However, no empirical evidence, even anecdotally, was proffered to the Committee to demonstrate such abuses occur in the current reexamination system. On the contrary, of the 253 *inter partes* reexaminations decided since the procedure was created in 1999,<sup>6</sup> 224 (89%) resulted in the modification or nullification of at least one patent claim, which means that the challenges were ultimately found meritorious.<sup>7</sup> This suggests that further limitations and deterrents against *inter partes* petitions, beyond those already in place in current law, are unnecessary and counter-productive.

Patent reform legislation should seek to expand opportunities for low-cost, efficient alternatives to litigation as a way of resolving disputes about the validity of issued patents. In the context of *inter partes* reexamination, H.R. 1249 does the opposite, by placing unnecessary constraints on a procedure that is already under-utilized. We are particularly concerned about two specific provisions.

First, H.R. 1249 as amended sets a 12-month deadline for a defendant in litigation to file a petition for *inter partes* review, start-

<sup>1</sup> See Federal Trade Commission, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* (Mar. 2011), available at <http://www.ftc.gov/os/2011/03/110307patentreport.pdf>.

<sup>2</sup> National Research Council of the National Academies, *A Patent System for the 21st Century* (2004) at 101.

<sup>3</sup> Under Sec. 5 of H.R. 1249, *inter partes* reexamination is renamed as "inter partes review."

<sup>4</sup> United States Patent and Trademark Office (USPTO), *Inter Partes Reexamination Filing Data* (Mar. 31, 2011), available at [http://www.uspto.gov/patents/IP\\_quarterly\\_report\\_March\\_2011.pdf](http://www.uspto.gov/patents/IP_quarterly_report_March_2011.pdf).

<sup>5</sup> United States Patent and Trademark Office, *U.S. Patent Activity, Calendar Years 1790 to the Present*, available at [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/h\\_counts.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/h_counts.htm).

<sup>6</sup> The Optional Inter Partes Reexamination Act, Pub. L. No. 106-113.

<sup>7</sup> See *Inter Partes Reexamination Filing Data*, *supra* note 4.

ing from the date on which the party is served with a complaint for infringement. The length of this deadline is completely arbitrary, and does not account for the complexity of many patent cases that can encompass dozens of patents and defendants and hundreds of separate patent claims. In such complex cases, the 12-month period imposes an extremely compressed schedule that will not provide enough time for the defendants to prepare and file an *inter partes* petition. Instead, the deadline should be tied to substantive progress in patent litigation, such as the entry of an order by the district court construing the relevant patent claims. This would ensure that defendants have an opportunity to prepare legitimate petitions for *inter partes* review based upon the core issues in a patent case.

Second, H.R. 1249 as amended raises the threshold for initiating an *inter partes* review procedure. In order to initiate a review, the Director must find "a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition." The existing threshold—whether a petition raises a "substantial new question of patentability"—should be maintained instead. As noted above, the overwhelming majority of *inter partes* reexaminations that have been initiated under the current standard have been ultimately deemed meritorious. A stricter threshold is therefore unjustified. Moreover, the practical meaning of the new standard in H.R. 1249 is not clear and creates a risk that the PTO will reject legitimate petitions at the outset of the procedure, without further inquiry.

Because of these provisions, we do not support Sec. 5(a) of H.R. 1249. Several Democratic amendments designed to address these provisions were offered but defeated during the markup of the bill. We believe that, at minimum, in order to preserve the existing utility of *inter partes* reexaminations, current law should be maintained. Ensuring the high caliber of patents circulating in the marketplace inures to the benefit of all Americans by stimulating innovation, encouraging investment and creating jobs. We hope that as H.R. 1249 moves closer to the floor, needed revisions will be made to ensure that *inter partes* reexamination remains a viable, efficient alternative to litigation for weeding out bad patents.

HOWARD L. BERMAN.  
MELVIN L. WATT.  
ZOE LOFGREN.