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AIPLA POSITIONS ON PATENT REFORM LEGISLATION

The American Intellectual Property Law Association (“AIPLA”) appreciates the opportunity to offer comments on the various patent reform proposals which have been debated over the last few years. AIPLA strongly supports patent reform and favors the enactment of balanced legislation designed to improve the system, with particular emphasis on improving the quality of issued patents in a timely manner. We also understand that any omnibus bill may require compromise and stand ready to work with you to help craft the best legislation possible.

AIPLA is a national bar association whose more than 16,000 members are primarily lawyers in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property.

The following are brief summaries of our positions regarding most of the issues which have been discussed relating to statutory reform. More detailed discussions of these issues are available on request.

Permanently Ending User Fee Diversion. – AIPLA strongly supports a permanent end to the unfortunate practice of diverting to other governmental purposes the fees paid by users to the USPTO to do their work. While there are several options to achieving this goal, we support one recent approach, namely, the establishment of a revolving fund within the USPTO.

First-inventor-to-file -- AIPLA also strongly supports adopting a first-inventor-to file priority system, with an objective definition of “prior art.” This change represents a “best practice” in patent administration, and would bring much needed simplification, reduce the legal costs imposed on U.S. inventors and eliminate the present delays and expense from interference proceedings. It would also significantly enhance the opportunity to make real progress towards a more global, harmonized patent system. AIPLA does not favor tying the adoption of a first-inventor to file system to a global acceptance of a grace period.

18-Month Publication -- AIPLA endorses efforts that would require the USPTO to publish all pending applications for patent at 18-months after their initial filing. The advantages provided to the relatively small number of applications that are not published under the current system are far outweighed by the opportunity for harmonization presented by a uniform practice. Moreover, maintaining the secrecy of applications beyond 18 months after initial filing permits abuses that arise for “submarine patent applications” that are tailored to subsequently developing technology and are not identifiable until later issued as a patent.

Third Party Submissions -- AIPLA supports enlarging the opportunities for the public to submit pertinent and material information to the USPTO for consideration following the publication of a patent application. Greater access to prior art during examination is a major enhancer of patent quality.

Best Mode – AIPLA supports the National Academies of Sciences recommendation for the elimination of the “best mode” requirement, particularly given the cost and inefficiency of this defense during litigation and its limited incentive to provide additional disclosure to the public.

Inequitable Conduct – AIPLA supports reform of the unenforceability defense based on inequitable conduct. Though seldom proven, inequitable conduct is alleged as a defense in far too many patent infringement suits, significantly and unnecessarily adding to the cost of patent litigation. While AIPLA supports imposing a statutory duty of candor on applicants in their dealings with the USPTO, and sanctions for misconduct that guarantee the integrity of the patent procurement process, the current “unenforceability defense” produces large unintended consequences. Most importantly, the prospect of later allegations of inequitable conduct hinders productive and candid information exchanges between applicants and USPTO examiners, further impairing patent quality

Post-grant Opposition -- AIPLA supports the adoption of a fair and balanced post-grant opposition system. While we believe that such a system is not a complete alternative to litigation, it can provide the public with an effective mechanism to challenge the quality of the USPTO’s examination of recently issued patents in a timely manner and correct errors made by the USPTO. We believe that the opportunity to challenge patents should only be for a limited period of time after patent issuance, however. This will encourage the public to promptly challenge questionable patents, while preventing harassment of the patentee.

Damages -- AIPLA opposes efforts to inappropriately diminish or dilute patent damages, including current efforts that would make the assurance of adequate damages less certain and the quantification of damages less predictable. AIPLA supports provisions in existing law that provide that damages for patent infringement must be adequate to compensate for the infringement of a valid patent, and that royalties, when assessed, must be reasonable in the circumstances.

Willful Infringement – AIPLA believes the *Seagate* decision by the Federal Circuit, which eliminated the duty of due care, while maintaining appropriate incentives to avoid reckless behavior, may have largely cured the willfulness problem.

Venue – AIPLA understands the concerns regarding venue arising from actions in the Eastern District of Texas. However, we suggest the 5th Circuit case of *In re Volkswagen of America, Inc.* and the Federal Circuit case of *In re TS Tech USA Corp* may have gone a long way towards addressing any issues that did exist through clarification of the transfer statute.

Applicant Quality Submissions – AIPLA opposes any new unilateral mandate that would require applicants to submit additional information such as search reports and a patentability analysis with every application filed. This requirement significantly increases the cost of filing applications (possibly tripling the cost) and increases the vulnerability of patent owners by substantially increasing the likelihood of later inequitable conduct charges. Other currently available options might yield more cost-effective results. More importantly, additional disclosure mandates would likely be much more positively received if linked to reforms in inequitable conduct.

Interlocutory Appeals -- AIPLA opposes allowing for unfettered interlocutory appeals to the Federal Circuit of a trial court's claim construction determination. Allowing broad interlocutory claim construction appeals would likely extend the time and increase the costs required by patent infringement litigation, discourage settlement by increasing the opportunity for unpredictable reversals, burden trial courts by adding years to the time such cases stay on their docket, and overwhelm the Federal Circuit with possibly multiple appeals on an incomplete record before each patent infringement trial. More importantly, however, we note, however, that the CAFC has procedures to review such matters on a case-by-case basis, and that those procedures could be used productively in appropriate circumstances.

Assignee Filing -- AIPLA supports permitting an application for patent to be filed by the assignee of the inventor. This will promote efficiency and reduce costs and is consistent with practices in other countries.

CAFC Residency – AIPLA supports eliminating the requirement that judges of the Court of Appeals for the Federal Circuit reside within fifty miles of the District of Columbia.

We appreciate the opportunity to provide you with a summary of the positions we have taken on the various patent reform proposals over the last few years. We appreciate your efforts and interest in improving our patent system and we are open to working with you in any way we can to fashion solutions to the challenges that face the patent system.

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