April 13, 2011

Hon. Lamar Smith
Chairman
U.S. House of Representatives
Committee on the Judiciary
2138 Rayburn House Office Building
Washington, DC 20515

Hon. John Conyers
Ranking Member
U.S. House of Representatives
Committee on the Judiciary
B-351 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Smith and Ranking Member Conyers:

In anticipation of the Judiciary Committee markup of H.R. 1249, the America Invents Act, the Innovation Alliance would like to share its views on the legislation with you and the Members of the Committee. The Innovation Alliance is a coalition of entrepreneurial companies seeking to enhance America’s environment for innovation, job creation and competitiveness through a robust patent system.

The Innovation Alliance continues to believe the best course for policymakers is to continue to focus their efforts on providing the U.S. Patent and Trademark Office ("USPTO") with the funding and resources it needs to reduce its backlog of over 700,000 patents. Trapped in that backlog is the potential of creating hundreds of thousands if not millions of new jobs. Unlocking that potential should be the first goal of any patent legislation.

That is why the Innovation Alliance strongly supports an end to the diversion of USPTO fees in the America Invents Act, and we applaud you for including measures to do so in H.R. 1249. We also support language in H.R. 1249 and the Manager’s Amendment that provides some critical safeguards against abuse of the new post-grant administrative review system, including “could have raised” estoppel, meaningful threshold for filing post-grant reviews and inter partes reviews, and a presumption of validity for patents.
Despite these positives, the Innovation Alliance is very concerned about brand new language in the Manager’s Amendment codifying unprecedented and overly rigid rules on joinder and stays of patent litigation that would constrain a court’s discretion to address such issues in a fair and flexible manner and unduly prejudice the ability of patent owners, especially small innovators, to enforce all patent rights against all infringers. The language requires that courts permit manufacturers to join or intervene in lawsuits against non-manufacturers that accuse the manufacturer’s product of infringement. It also requires that courts stay patent litigation against a non-manufacturer in certain circumstances where the manufacturer is involved in litigation over the same patent.

These provisions would unfairly force patent owners to pursue multiple costly actions to achieve effective relief and delay enforcement of all rights conferred by a patent, including the right to prevent others from using and selling a patented invention. The stay provision so significantly restricts the patent holder’s ability to enforce its rights that it raises serious questions about violating a patent holder’s constitutional right to a jury trial. Non-manufacturers who utilize a patented invention are infringing that patent holder’s exclusive rights to make, use, and sell the invention. The patent holder is entitled to take action against these infringers. An automatic stay of a patent holder’s case against non-manufacturers could last several years, effectively depriving the patent holder of its right to a jury trial and injunctive relief, effectively granting a compulsory license to sell infringing products already in the possession of the non-manufacturer. "Justice delayed is justice denied," particularly for small inventors, universities and other early stage innovators who lack the resources to fund multiple infringement suits. The net effect would be a patent litigation system that protects the interests of large infringers and undermines the enforceability of patent rights to the detriment of innovation-based job growth.

We are also concerned that H.R. 1249 expands prior user rights in such a fashion as to deter investment in innovation by creating considerable uncertainty about whether an invention might be subject to a manufacturer’s prior user rights. That would harm small innovators and universities in particular to the detriment of early stage innovation and job growth. At the same time, it would benefit large companies that maintain certain inventions as trade secrets, deterring the publication of inventions in patents and undermining a fundamental goal of the patent system. We believe H.R. 1249 would be improved by removing the prior user rights section.

The Innovation Alliance further believes that H.R. 1249 would be improved by removing the provisions that we believe unduly prejudice rights in an overly broad category of so-called “business method patents,” regardless of whether they survive a validity challenge. The proposed ten-year “transitional program” for business method patents adopts an overly broad and ambiguous definition of covered patents that could interfere with the enforceability of meritorious patents.

H.R. 1249 allows challengers to file a “first window” post-grant review within one year of patent issuance and to file a “second window” inter partes review within nine months of the commencement of infringement litigation. The Innovation Alliance believes these time periods are unnecessarily long for what ultimately amounts to a decision only about the forum in which to challenge a patent’s validity – before the USPTO in an administrative challenge, or in court in an invalidity counterclaim. This delay in resolving questions about a patent’s validity is
particularly harmful for smaller entities who will have difficulty attracting investment while the uncertainty remains and for whom every additional month of delay in resolving litigation means somehow paying another month of attorneys' fees at exactly the moment when the uncertainty makes it more difficult to raise the funds to do so.

The Innovation Alliance looks forward to continuing to work with you and the other members of the Judiciary Committee to arrive at a version of the America Invents Act that can secure our full support.

Sincerely,

Brian Pomper
Executive Director
The Innovation Alliance

Cc: All Judiciary Committee Members